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MARKETING and TRANSPORTATION SITUATION



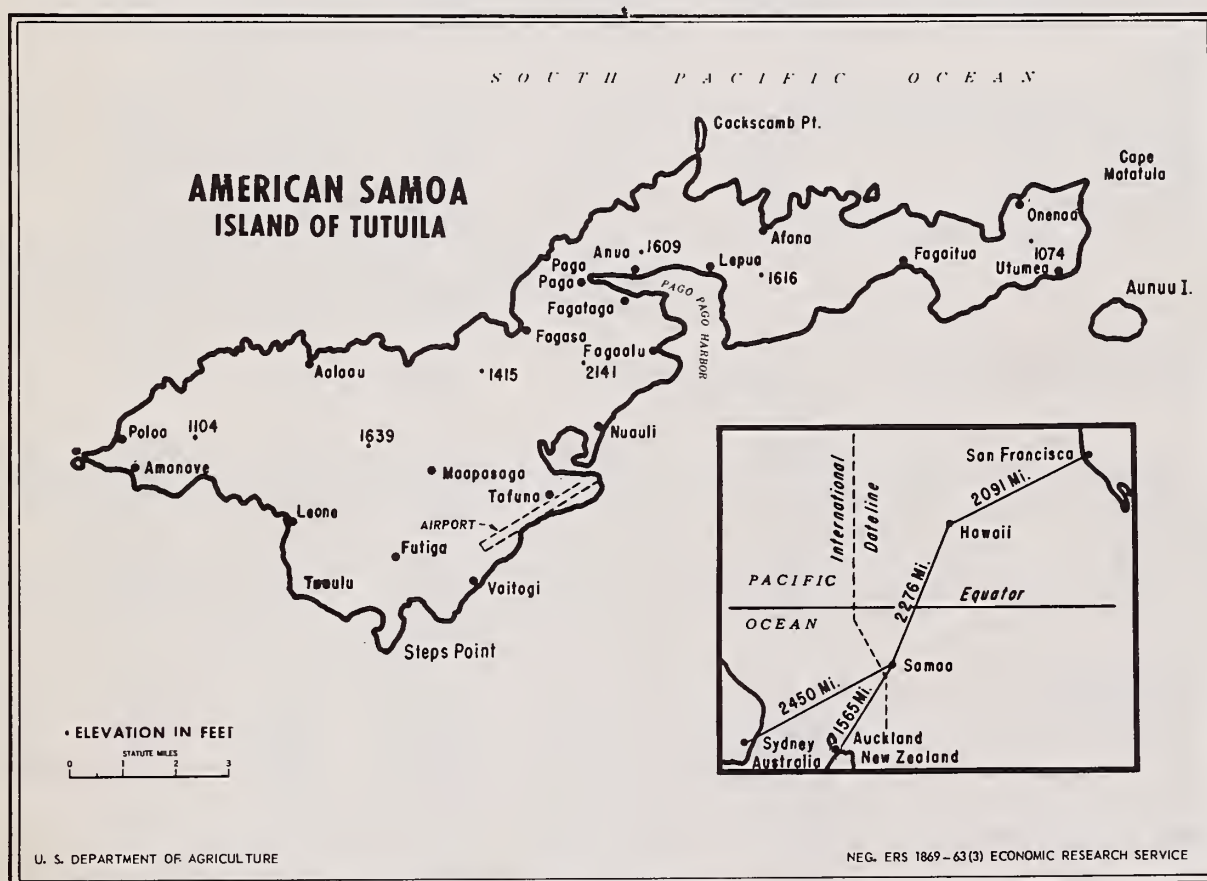
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- Marketing in American Samoa
- Beef Prices and Supply Changes
- Impact of Freeze on Orange Prices
- Truckers Hauling Exempt Farm Products

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STATISTICAL SUMMARY OF MARKET INFORMATION

Item	Unit or base period	1962				1963
		Year	Jan.-Mar.	July-Sept.	Oct.-Dec.	Jan.-Mar.
<u>Farm-to-retail price spreads</u>						
Farm-food market basket: 1/						
Retail cost	Dol.	1,067	1,062	1,069	1,069	1,080
Farm value	Dol.	410	414	412	410	400
Farm-retail spread	Dol.	657	648	657	659	680
Farmer's share of retail cost	Pct.	38	39	39	38	37
Cotton: 2/						
Retail cost	Dol.	2.15	2.15	2.15	2.16	---
Farm value	Dol.	.33	.33	.33	.32	---
Farm-retail spread	Dol.	1.82	1.82	1.82	1.84	---
Farmer's share of retail cost	Pct.	15	15	15	15	---
Cigarettes: 3/						
Retail cost	Ct.	27.6	---	---	---	---
Farm value	Ct.	4.22	---	---	---	---
Federal and State excise taxes	Ct.	12.4	---	---	---	---
Farm-retail spread excluding excise taxes	Ct.	11.0	---	---	---	---
Farmer's share of retail cost	Pct.	15	---	---	---	---
<u>General economic indicators</u>						
Consumers' per capita income and expenditures: 4/						
Disposable personal income	Dol.	2,052	2,024	2,054	2,074	2,085
Expenditures for goods and services	Dol.	1,912	1,887	1,916	1,936	1,959
Expenditures for food	Dol.	397	395	399	397	---
Expenditures for food as percentage of disposable income	Pct.	19.3	19.5	19.4	19.1	---
		1962		1963		
		Year	Mar.	Jan.	Feb.	Mar.
5/						
Hourly earnings, production workers, manufacturing:	Dol.	2.39	2.38	2.43	2.43	2.44
Hourly earnings of food marketing employees 6/ ...	Dol.	2.10	2.09	2.15	2.16	---
Retail sales: 7/						
Food stores	Mil. dol.	4,800	4,680	4,943	4,897	4,835
Apparel stores	Mil. dol.	1,194	1,217	1,220	1,214	1,202
Manufacturers' inventories: 7/						
Food and beverage	Bil. dol.	5.40	5.31	5.34	5.35	5.38
Textile	Bil. dol.	2.87	2.81	2.86	2.87	2.88
Tobacco	Bil. dol.	2.14	2.19	2.13	2.17	2.19
Indexes of industrial production: 8/						
Food and beverage manufactures	1957-59=100	113	113	114	114	---
Textile mill products	1957-59=100	115	117	113	113	---
Apparel products	1957-59=100	119	117	123	123	---
Tobacco products	1957-59=100	112	117	113	---	---
Index of physical volume of farm marketings	1947-49=100	137	105	151	109	107
<u>Price indexes</u>						
Consumer price index 5/	1957-59=100	105.4	105.0	106.0	106.1	106.2
Wholesale prices of food 5/	1957-59=100	100.6	101.4	101.1	100.1	99.1
Wholesale prices of cotton products 5/	1957-59=100	101.7	102.4	100.6	100.5	100.2
Wholesale prices of woolen products 5/	1957-59=100	99.1	98.3	100.7	100.7	100.8
Prices received by farmers 9/	1957-59=100	100	101	101	100	99
Prices paid by farmers, interest, taxes, and wage rates 9/	1957-59=100	105	104	106	106	106

1/ Average quantities of farm food products purchased per wage-earner or clerical-worker family in 1952. 2/ Data for average family purchases in 1950 of 25 articles of cotton clothing and housefurnishings divided by number of pounds of lint cotton required for their manufacture; see U. S. Dept. Agr. Mktg. Res. Rpt. 277. 3/ Data for package of regular-sized, popular brand cigarettes; farm value is return to farmer for 0.055 lb. of leaf tobacco of cigarette-types; data for year ended June 30, 1962. 4/ Seasonally adjusted annual rates, calculated from Dept. of Commerce revised data. First quarter 1963 data are from preliminary estimates by the Council of Economic Advisers. 5/ Dept. Labor. 6/ Weighted composite earnings in food processing, wholesale trade, retail food stores, calculated from data of Dept. Labor. 7/ Seasonally adjusted, Dept. Commerce. Sales data for 1962 are averages of monthly totals (unadjusted). Inventory data for 1962 are book values at end of year (adjusted). 8/ Seasonally adjusted, Board of Governors of Federal Reserve System. 9/ Converted from 1910-14 base.

THE MARKETING AND TRANSPORTATION SITUATION

Approved by the Outlook and Situation Board May 2, 1963

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SUMMARY

Charges for marketing farm-originated food products average 3 percent higher in the first quarter this year than in the preceding quarter. This increase was the largest quarter-to-quarter rise since April-June 1958. Much of the recent rise resulted from increases in farm-retail spreads for beef and pork, as retail prices of these products decreased less than farm prices of beef cattle and hogs. Farm-retail spreads also increased sharply for some fresh vegetables and processed orange products, as retail prices moved up more than prices farmers received for these vegetables and for oranges.

Marketing charges for farm-originated food products were about 5 percent higher in the first quarter this year than in the like quarter of 1962. Most of this increase resulted from higher marketing charges for meat products, fruits, and vegetables.

Farmer's prices for food products averaged 2 percent lower in the quarter just

ended than in October-December 1962. Lower prices for beef cattle, hogs, and milk for fluid use accounted for most of this decline. The decreases in prices of cattle and hogs accompanied increased marketings by farmers. These price decreases were partly offset by increases in prices of some vegetables arising from reduced production. Production of these vegetables was curtailed by adverse weather in winter-producing areas.

Prices farmers received for food products in the quarter just ended averaged 3 percent lower than a year earlier.

Retail prices of farm-originated food products averaged 1 percent higher in the first quarter this year than in the preceding 3 months and about 2 percent higher than in the first quarter of 1962.

The rise in marketing charges and decrease in farmers' prices reduced the farmer's share of the dollar consumers spent in retail food stores for farm foods

to 37 cents in the first quarter this year, 1 cent less than in the previous quarter and 2 cents less than in the first quarter of 1962. This was the second quarter since before World War II that the farmer's share has decreased to 37 cents. It was either 38 or 39 cents in each quarter of 1961 and 1962.

Total net income of leading companies that process and distribute farm products was larger in 1962 than in 1961. Net income as a percentage of sales was the same or a little higher in 1962 for all groups of companies except department and specialty stores, distillers, and tobacco products manufacturers. Net income as a percentage of net assets was higher in 1962 than in the previous year for companies in several industry groups. This percentage was down in 1962, however, for leading manufacturers of dairy products, "other food products," and tobacco products, and for brewing, distilling, and chain food store companies.

Highlights of Special Articles

Prices of beef and beef cattle rose in late summer and early fall of 1962 in response to a short supply of fed cattle. Prices of steers started to decline in December, when marketings of fed cattle increased sharply, but retail prices did not begin to decline until late January.

These price movements appear to have followed rather closely the general pattern observed over the past several years. Live, wholesale, and retail prices tend to move together, but with considerable variability.

The fact that retailers depend heavily on "special" sales to adjust their prices to supply changes may lead to temporary pressures (both upward and downward) on wholesale and live prices under certain circumstances. Stable "regular" prices may reduce the sensitivity of retail meat prices when supplies of several meats and poultry change together. The more sensitive retail prices are to live and wholesale price changes, the less live prices

are likely to follow their usual pattern of overadjustment. Increases in retail price sensitivity would tend to benefit livestock feeders and producers. (Adjustments in Retail Prices of Beef to Supply Changes, p. 13.)

Prices of orange products at grower, processor, and retail levels increased in recent months, reflecting the sharply reduced supply caused by the December freeze in Florida.

Prices paid to growers for oranges used for processing increased slowly in December despite the tremendous quantities dumped on the market from emergency salvage operations. Prices have since increased more rapidly. In anticipation of drastically reduced supplies, processors increased prices immediately and prices have since continued upward. In general, retail prices followed changes in processor prices with margins not increasing appreciably. Retailers differed in response to time and size of price changes. Stores of multi-establishment companies followed processor prices more closely than stores of affiliated and unaffiliated independents. (The Impact of the Florida Freeze on Prices of Orange Products, p. 20.)

The Economic Research Service conducted a study last year of marketings in American Samoa at the request of the territorial governor and with funds provided by the Area Redevelopment Administration of the Department of Commerce. The study suggests the need for a new public market to encourage farm production and to improve marketing methods and sanitation. Recommendations were made on ways to improve retail marketing practices and to strengthen competition.

Most of the food produced in this territory of the United States is consumed either in the villages where produced or sold on the public market. Each farmer sells his own products, principally bananas, taro, and coconuts. Retail trade is concentrated among a few retailers with each large firm importing supplies

from the United States. Smaller stores buy from larger ones. Retail margins are high and operating costs are relatively low compared with U. S. food chains. Inequities result from lack of a system of weights and measures. (Marketing Food Products in American Samoa, pp. 25.)

The Economic Research Service recently completed a study of for-hire trucking exempt from economic regulation by the Interstate Commerce Commission. The law does not require exempt truckers to hold operating authority from the ICC. In 1960, the 1,514 exempt for-hire truckers included in the study moved 9.2 million tons of exempt commodities and traveled 278 million miles in these operations -- some of which were nationwide. Seventy-five percent of the reporting firms had

been in business 5 years or more and 8 percent reported they had been in business 30 years or more. Although many of these truckers operated only 1 or 2 trucks, 50 of the carriers operated almost a third of the tractors reported in the survey. Grain and livestock made up about one-half of the tonnage hauled. Milk, cream, vegetables, and fruits and berries accounted for an additional 35 percent of the total. Seventy percent of all miles traveled were laden miles. More than a third of the carriers hauled interstate exclusively. Thirty-five percent of principal movements of exempt commodities originated outside home regions and 49 percent of principal deliveries were made to States outside home regions. (For-Hire Motor Carriers Hauling Exempt Agricultural Commodities, p. 35.)

FARM-RETAIL SPREADS FOR FARM-FOOD PRODUCTS

Food Marketing Charges Rise

Charges for marketing farm-food products moved up in the first quarter this year, mainly because of increases for meat products, fruits, and vegetables. The spread between the total retail cost and farm value of the "market basket" of farm-originated food products averaged \$680 (annual rate) in January-March this year, 3 percent more than in the preceding quarter (table 2). ^{1/} This rise contrasts with the usual slight seasonal decline from the final quarter of one year to the first quarter of the next. The first quarter average was 5 percent

higher this year than in 1962 (table 17 p. 43). Increases for the meat products and the fruits and vegetables groups accounted for most of this rise. The continued increase in marketing charges for bakery products also contributed to the increase in the total farm-retail spread. Marketing charges for fats and oils were down about 3 percent from the preceding quarter, but about the same as a year earlier. Changes for the other product groups from the preceding quarter and from January-March 1962 were negligible.

Changes in the market basket farm-

^{1/} The "market basket" contains the average quantities of domestic farm-originated food products purchased per family in 1952 for consumption at home by urban wage-earner and clerical-worker families. Additional information concerning the contents of the market basket and methods of estimating market basket data are given in Farm-Retail Spreads for Food Products, USDA Misc. Pub. 741, Nov. 1957. Since the market basket does not contain imported foods or fishery products and other foods of nonfarm origin or the cost of meals in eating places, its retail cost is less than the cost of all foods bought per family. The farm value is the return to farmers for the farm products equivalent to the foods in the market basket. The farm-retail spread is the difference between the retail cost and farm value. It is an estimate of the charges made by marketing firms for assembling, processing, transporting, and distributing the products in the market basket.

Table 1.--The farm food market basket: Retail cost, farm value, farm-retail spread, and farmer's share of retail cost, 1952-63 1/

Year and month	Retail cost <u>2/</u>	Farm value <u>3/</u>	Farm-retail spread	Farmer's share
	Dollars	Dollars	Dollars	Percent
1952	1,034	482	552	47
1953	1,003	445	558	44
1954	986	421	565	43
1955	969	395	574	41
1956	972	390	582	40
1957	1,007	401	606	40
1958	1,064	430	634	40
1959	1,040	398	642	38
1957-59 average	1,037	410	627	40
1960	1,053	407	646	39
1961	1,060	406	654	38
1962 <u>4/</u>	1,067	410	657	38
<u>1962</u>				
January	1,056	411	645	39
February	1,066	417	649	39
March	1,064	414	650	39
April	1,067	409	658	38
May	1,063	399	664	38
June	1,067	399	668	37
July	1,068	401	667	38
August	1,068	412	656	39
September	1,085	425	660	39
October	1,075	411	664	38
November	1,069	412	657	39
December	1,062	407	655	38
<u>1963</u>				
January	1,078	408	670	38
February	1,084	399	685	37
March	1,079	393	686	36

1/ The farmer's share and index numbers of the retail cost, farm value, and farm-retail spread for the years 1913-62 (1957-59=100) are published in the February 1962 Marketing and Transportation Situation (MTS-144) p. 50.

2/ Retail cost of average quantities purchased per family in 1952 by urban wage-earner and clerical worker families, calculated from retail prices collected by the Bur. Labor Statistics.

3/ Payment to farmers for equivalent quantities of farm produce minus imputed value of byproducts obtained in processing.

4/ Preliminary estimates.

: Current data are given in the Statistical Summary, :
: a monthly publication of the Statistical Reporting Service :
:

Table 2.--The market basket of farm foods: Retail cost, farm value, farm-retail spread, January-March 1963 and October-December 1962.

Item	Jan.-	Oct.-	Change - Jan.-Mar. 1963	
	Mar.	Dec.	from Oct.-Dec. 1962	
	1963	1962	Actual	Percentage
	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Percent</u>
<u>Retail cost</u>				
Market basket	1,080.09	1,068.65	11.44	1
Meat products	285.27	290.61	-5.34	-2
Dairy products	199.21	200.25	-1.04	-1
Poultry and eggs	90.13	88.90	1.23	1
Bakery and cereal products	172.66	171.42	1.24	1
All fruits and vegetables	245.27	229.80	15.47	7
Fats and oils	42.46	42.70	-.24	-1
Miscellaneous products	45.09	44.97	.12	<u>1/</u>
<u>Farm value</u>				
Market basket	400.22	410.02	-9.80	-2
Meat products	136.46	156.90	-20.44	-13
Dairy products	87.55	88.32	-.77	-1
Poultry and eggs	54.91	53.75	1.16	2
Bakery and cereal products	31.18	30.44	.74	2
All fruits and vegetables	71.51	62.71	8.80	14
Fats and oils	11.35	10.65	.70	7
Miscellaneous products	7.26	7.25	.01	<u>1/</u>
<u>Farm-retail spread</u>				
Market basket	679.87	658.63	21.24	3
Meat products	148.81	133.71	15.10	11
Dairy products	111.66	111.93	-.27	<u>1/</u>
Poultry and eggs	35.22	35.15	.07	<u>1/</u>
Bakery and cereal products	141.48	140.98	.50	<u>1/</u>
All fruits and vegetables	173.76	167.09	6.67	4
Fats and oils	31.11	32.05	-.94	-3
Miscellaneous products	37.83	37.72	.11	<u>1/</u>
<u>Farmer's share of retail cost</u>				
	<u>Percent</u>	<u>Percent</u>	<u>Percentage point</u>	
Market basket	37	38	-1	
Meat products	48	54	-6	
Dairy products	44	44	0	
Poultry and eggs	61	60	1	
Bakery and cereal products	18	18	0	
All fruits and vegetables	29	27	2	
Fats and oils	27	25	2	
Miscellaneous products	16	16	0	

1/ Less than 0.5 percent.

retail spread from one quarter to the next were small during 1961 and 1962 and were largely seasonal. Annual averages for those years were about the same (table 1). The 3 percent increase in the spread from the final quarter of 1962 to the first quarter this year was the largest quarter-to-quarter change since the 4 percent increase from the first to the second quarter of 1958.

Farm Value Decreases

The total farm value of the products in the market basket averaged \$400 (annual rate) in the quarter just ended, down 2 percent from the final quarter last year (table 2). Most of this decrease resulted from lower prices for beef cattle, hogs, and fluid milk, (table 16, p. 42). Marketings of beef cattle and hogs increased in the winter months. The total farm value of the market basket in the first quarter was 3 percent lower than a year earlier, mainly because of lower prices for beef cattle, hogs, milk, and cottonseed (table 16, p. 42).

Retail Cost Up Slightly

Increases in farm-retail spreads more than offset the decreases in farm values, so retail food prices rose. The retail cost of the foods in the market basket rose to an annual rate of \$1,080 in the first quarter this year, up 1 percent from the preceding quarter and about 2 percent higher than in January-March 1962. Most of the rise from the previous quarter resulted from higher prices for fresh fruits and vegetables and processed orange juice (table 16, p. 42). Retail prices of meat products averaged 2 percent lower in the first quarter than in the preceding 3 months, but they were 3 percent higher than a year earlier.

Farmer's Share Drops to 37 Cents

Farmers received an average of 37 cents of the dollar consumers spent for

domestic farm foods in retail food stores in the first quarter this year compared with 38 cents in the preceding quarter and 39 cents in January-March 1962. This was the second time since before World War II that the quarterly average farmer's share decreased to 37 cents; the first such decrease was in the final quarter of 1959. During 1960-62 it varied from 38 to 39 cents and averaged 39 cents in 1960 and 38 cents in 1961 and 1962.

Farm Prices of Beef Cattle and Hogs Decline, Marketing Charges Rise ^{2/}

The farm value of Choice grade beef averaged 14 percent (7.8 cents) lower in the first quarter this year than in the last quarter of 1962, reflecting decreases in prices received by farmers for beef cattle. Farmers' marketings of fed cattle increased substantially during the winter months. As frequently happens, changes in retail and wholesale prices lagged behind changes in farm prices. Retail prices of Choice grade beef averaged about 1 percent (1.1 cents) lower than in October-December, and the comparable wholesale value was down about 9 percent (5.5 cents). The farm-retail spread increased 23 percent (6.7 cents). The farm-wholesale segment of this spread increased about 30 percent and the wholesale-retail segment, 20 percent (table 3). The farm-retail spread in the first quarter was the largest on record -- 6 percent larger than the previous record established in the second quarter of 1961. The farm-wholesale segment in the quarter just ended, however, was not quite as large as it was in the second quarter of 1961.

Compared with levels a year earlier, the farm value of Choice grade beef was down 5 percent; the retail price was up 5 percent; and the spread was up 22 percent.

Sharp decreases in the prices of hogs caused an 11 percent drop in the farm value of pork from October-December

^{2/} For further discussion of changes in prices of beef, see p. 13.

Table 3.--Beef, pork, and lamb: Retail price, wholesale value, farm value, farm-retail spread and farmer's share of retail price by quarters, 1962-63

Year and quarter	Retail price	Wholesale	Gross farm	Byproduct allowance	Net farm	Farm-retail spread		Farmer's share	
	per pound 1/	value 2/	value 3/	4/	value 5/	Total	Wholesale-retail	Farm-wholesale	share
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Percent
Beef, (Choice grade)									
1962									
Jan.-Mar.	80.6	59.8	55.4	4.6	50.8	29.8	20.8	9.0	63
Apr.-June	80.5	59.4	54.6	4.8	49.8	30.7	21.1	9.6	62
July-Sept.	83.0	62.0	58.2	4.9	53.3	29.7	21.0	8.7	64
Oct.-Dec.	85.6	63.7	61.0	5.0	56.0	29.6	21.9	7.7	65
1963									
Jan.-Mar.	84.5	58.2	52.4	4.2	48.2	36.3	26.3	10.0	57
Apr.-June									
July-Sept.									
Oct.-Dec.									
Pork, (retail cuts)									
1962									
Jan.-Mar.	57.9	41.8	35.4	4.7	30.7	27.2	16.1	11.1	53
Apr.-June	57.8	40.9	34.1	4.3	29.8	28.0	16.9	11.1	52
July-Sept.	62.2	45.6	38.7	4.7	34.0	28.2	16.6	11.6	55
Oct.-Dec.	60.0	42.7	35.2	4.2	31.0	29.0	17.3	11.7	52
1963									
Jan.-Mar.	57.7	39.2	31.8	4.2	27.6	30.1	18.5	11.6	48
Apr.-June									
July-Sept.									
Oct.-Dec.									
Lamb, (Choice grade)									
1962									
Jan.-Mar.	68.6	42.8	39.3	7.1	32.2	36.4	25.8	10.6	47
Apr.-June	69.8	48.2	41.9	6.5	35.4	34.4	21.6	12.8	51
July-Sept.	72.6	52.0	44.1	5.8	38.3	34.3	20.6	13.7	53
Oct.-Dec.	71.9	47.5	42.4	6.5	35.9	36.0	24.4	11.6	50
1963									
Jan.-Mar.	72.2	44.7	43.0	7.0	36.0	36.2	27.5	8.7	50
Apr.-June									
July-Sept.									
Oct.-Dec.									

1/ Estimated weighted average price of retail cuts.

2/ Wholesale value of quantity of carcass equivalent to 1 lb. of retail cuts: Beef, 1.35 lb.; pork, 1.00 lb.; lamb, 1.11 lb.

3/ Payment to farmer for quantity of live animal equivalent to 1 lb. of retail cuts: Beef, 2.25 lb.; pork, 2.13 lb.; lamb, quantity varies by months from 2.28 lb. in June to 2.42 lb. in March.

4/ Portion of gross farm value attributed to edible and inedible byproduct.

5/ Gross farm value minus byproduct allowance.

Data for earlier years were published in the Marketing and Transportation Situation, May 1962, (MTS-145).

1962. The retail price was down 4 percent in the first quarter, and the spread was up 4 percent. The retail cost was about the same as a year earlier; the farm value was down 10 percent; and the spread was up 11 percent.

Marketing Charges and Prices of Fresh Vegetables Rise Sharply

Prices farmers received for many of the fresh vegetables in the market basket increased rapidly early this year, partly as a result of damaging freezes last December and January in the winter-crop producing areas. The farm value of the fresh vegetables group averaged 13 percent higher in the quarter just ended than in October-December 1962. The first quarter average, however, was 10 percent lower than the average for the same quarter last year. Prices of several of the fresh vegetables that increased sharply this year were still below their year earlier levels. Recent increases were not as large as decreases in the second half of last year.

Charges for marketing fresh vegetables increased 11 percent from the fourth quarter last year to the first quarter this year -- nearly as large a percentage rise as in the farm value. The level in the first quarter was 12 percent higher than a year earlier. Marketing charges did not decline nearly as much as the farm value in the second half of 1962.

The retail cost of the fresh vegetables group averaged 12 percent higher in the first quarter this year than in the fall quarter of 1962, and 4 percent higher than in January-March 1962.

Processed Orange Products -- Big Increase in Retail Prices and Spreads 3/

The retail price of frozen orange juice concentrate averaged 33 percent higher last quarter than in the final quarter of

1962 (table 16, p. 42). Prices increased in anticipation of a substantial decrease in the volume of the product to be processed from the 1962-63 crop. Freezing weather in Florida in December and in California in January severely damaged the orange crop.

Prices growers received for oranges to be used for frozen concentrate increased in the first quarter this year, but the average for the quarter was substantially below the average received for 1961-62 crop oranges. The farm value of orange juice concentrate in the first quarter this year (based partly on prices for the 1962-63 crop and partly on prices for the previous crop) was down 9 percent from the farm value in the previous quarter (which was based entirely on the higher average price received for the 1961-62 crop). Grower prices at the beginning of the 1962-63 season were depressed by large carry-over stocks of processed orange products and the expected large supply of oranges for processing from the new crop. The farm-retail spread in the first quarter was about 60 percent wider than in the previous quarter.

The retail price in the first quarter averaged about 13 percent higher than in the like period last year; the farm value was down 32 percent; and the spread was up 50 percent.

Recent movements in retail prices, farm values, and spreads for frozen orange juice were similar to those in the first quarter of 1958, following a damaging freeze in Florida. At that time, the retail price jumped from December to January and the average in the first quarter of 1958 was 30 percent higher than in the preceding quarter. The farm value, based in part on prices received for the 1956-57 crop, averaged the same as in the last quarter of 1957. But the spread increased 45 percent. Retail prices rose in each of the first 9 months of 1958. The farm value also increased until the

3/ For further discussion of changes in prices and marketing charges for these products, see p. 20.

processing season ended around mid-1958. The farm value, however, did not increase as much as the retail price, so the spread increased. The retail price and spread decreased substantially in 1959, but the farm value averaged higher in that year than in 1958.

Movements in the retail price, farm value, and farm-retail spread for canned single strength orange juice in the first quarter this year were similar to those for frozen concentrated orange juice (tables and , pp. and).

NET INCOME OF LEADING FIRMS MARKETING FARM PRODUCTS, 1961 AND 1962

Net income (profits after taxes on income) of 153 leading food manufacturing firms totaled 7 percent more last year than in 1961, according to data compiled by the First National City Bank of New York (table 4).

Net income as a percentage of sales was the same in 1962 as in 1961 for leading firms in each of the individual food manufacturing industries except the sugar industry. Net income of the 13 sugar processing firms averaged 3.4 percent of sales, up from 3.0 percent in 1961. The net income-to-sales ratios ranged from 0.6 percent for 21 leading meatpacking companies to 4.3 percent for 91 companies in the "other food" products group.

Net income as a percentage of net assets (also known as stockholders' equity, net worth, or capital and surplus) was higher in 1962 than in 1961 for the leading firms in 3 of the 5 food manufacturing industries. The 21 meatpacking companies had an average of 5.4 percent of net assets last year compared with 4.6 percent in 1961. Net income of the 13 sugar processing companies averaged 7.9 percent in 1962, up from 6.6 percent in the previous year. Net income of the 12 firms manufacturing dairy products, however, dropped to 10.6 percent of net assets from 11.0 percent in 1961. Leading firms in the "other food products" groups had a slight decrease. The net income-to-net assets ratio varied from 5.4 percent for the meatpacking companies to 12.7

percent for the "other food products" manufacturers.

Total net income of leading firms in the textile products and clothing and apparel industries improved considerably from 1961 to 1962. Ratios of net income to sales and to net assets increased, particularly the net income-to-net assets ratios. Profits of firms in the textile products industry decreased in 1960 and 1961.

Leading firms in the brewing, distilling, and tobacco products industries had gains in total profits in 1962. Ratios of their net income to sales were about the same in 1962 as in 1961, but ratios of net income to net assets were down.

Net income of 61 large food chains increased slightly in 1962. The sales ratio was the same as in 1961, but the net assets ratio was smaller in 1962 than in 1961. Total net assets of these companies increased 7 percent from 1961 to 1962; net income increased about 2 percent.

Profit ratios of the firms included in this tabulation average higher than those for all firms. The First National City Bank compiles its data from published reports to stockholders. Companies that publish reports generally are among the largest and most successful. The Bank states that its "figures are biased in favor of success, embracing all of the largest and most profitable corporations."

Table 4.--Net income of leading corporations marketing agricultural products,
1962 and 1961

Industrial groups	Number of corpo- rations	Reported net income after taxes					
		Total		As percentage of net assets ^{1/}		As percentage of sales ^{2/}	
		1962	1961	1962	1961	1962	1961
		1,000 Dollars	1,000 Dollars	Percent	Percent	Percent	Percent
Manufacturing:							
Food --							
Baking	16	61,144	58,993	9.8	9.7	2.7	2.7
Dairy products	12	109,367	104,026	10.6	11.0	2.7	2.6
Meatpacking	21	53,570	45,350	5.4	4.6	.6	.6
Sugar	13	35,308	30,020	7.9	6.6	3.4	3.0
Other food products	91	464,454	439,541	12.7	12.8	4.3	4.3
Total	153	723,843	677,930	---	---	---	---
Other --							
Brewing	17	38,572	37,353	9.3	9.5	4.1	4.1
Distilling	14	115,199	114,938	7.8	8.1	3.9	4.0
Tobacco products	15	281,891	277,441	14.1	14.8	6.0	6.1
Textile products	62	167,458	128,450	7.3	5.8	3.1	2.7
Clothing and apparel	79	80,617	70,290	11.3	10.7	3.6	3.5
Distributing:							
Chain food stores	61	253,934	249,765	11.6	12.2	1.2	1.2
Department and specialty stores	70	243,941	229,947	9.5	9.4	2.5	2.6

^{1/} Book net assets at the beginning of the year are based on the excess of total balance-sheet assets over liabilities.

^{2/} Includes income from investments and other sources as well as from sales.

Compiled from "Monthly Economic Letter," published by The First National City Bank, New York, April 1963.

ADJUSTMENTS IN RETAIL PRICES OF BEEF TO SUPPLY CHANGES ^{1/}

Since mid-1962, livestock and meat prices have been unsettled by a series of changes in supplies. In the late summer and fall a strong sellers' market persisted. Fed beef was in short supply and prices of live animals, wholesale dressed beef, and retail cuts moved steadily upward. In December, the situation changed on many markets. Marketing of heavy fed steers increased sharply. The fed cattle market weakened, and prices at several points fell sharply. Wholesale and retail price declines followed.

In addition to increases in a critical part of the beef supply, pork and poultry supplies increased rapidly during the last quarter of 1962 and the first quarter of 1963. Livestock prices were under heavy downward pressure from several directions.

These pressures have not been uniform at all market levels. The general tendency has been for live, wholesale, and retail prices to move together but in any given period there has been a considerable variation from this pattern. Retail prices, which were fairly stable from late September 1962 to late January 1963, began a downward movement the fourth week in January -- 8 weeks after live steer prices began their sharp declines in late November (fig. 1).

The purpose of this article is to examine recent retail beef price adjustments and their relation to changes in live and wholesale prices. Questions of whether retail prices responded as quickly and as fully as they should cannot be answered completely. Criteria that can be used to evaluate retail price performance are

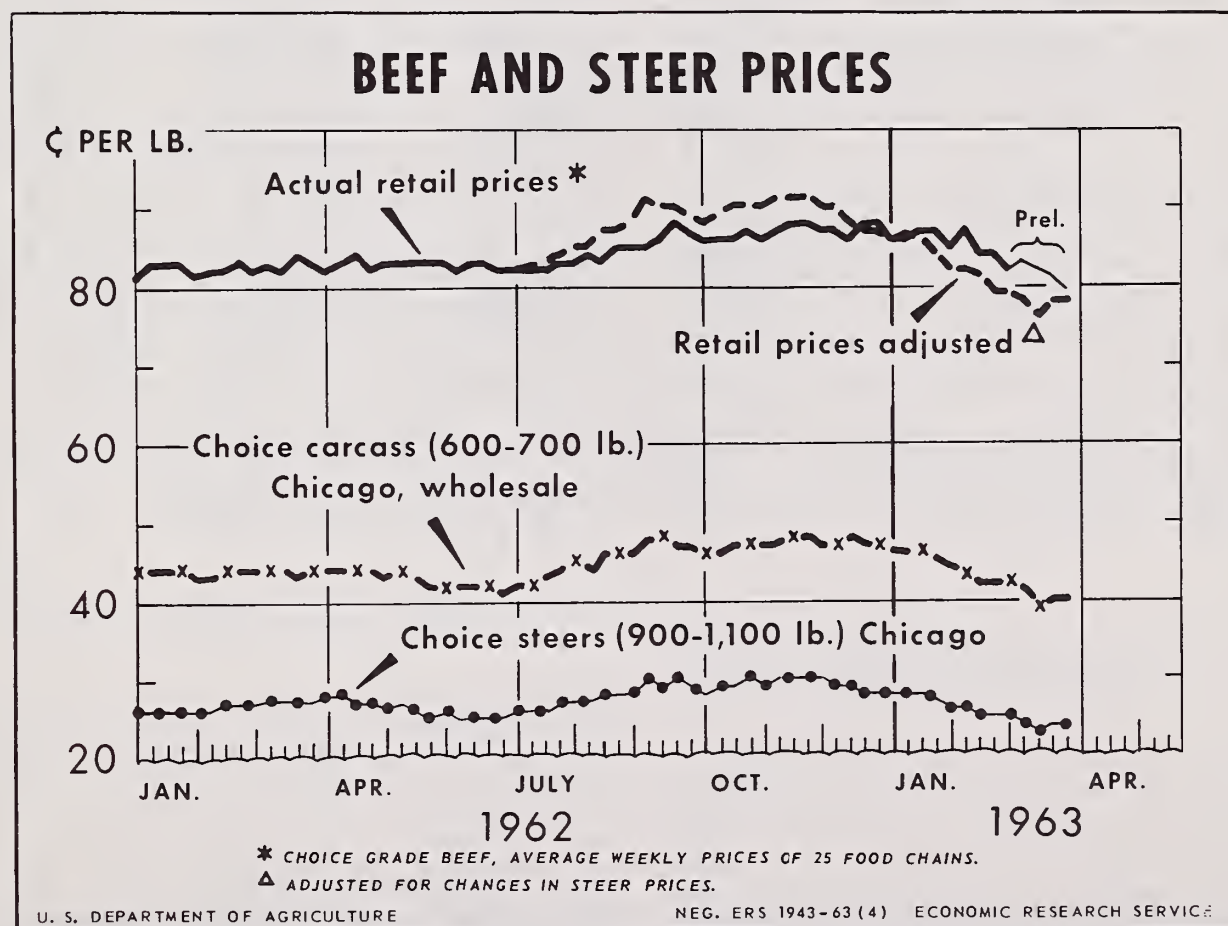


Figure 1

^{1/} Prepared by William C. Motes, agricultural economist, Marketing Economics Division, ERS.

vague and incomplete. Certainly it takes time for changes in supply to move from level to level in the marketing system and for information regarding these changes to move between and within levels. No one can say how long this movement should take or how long it should take the trade to react. Thus, this analysis is limited to consideration of: (1) Reaction time in 1962-63 compared with periods of sharp change in the recent past, and (2) the extent of changes at live and retail levels. 2/

Price Adjustment in 1962-63

Three distinct stages of price adjustment appeared from July 1962 to mid-March 1963: Rising, steady, and falling (table 5).

A \$1 per hundredweight decrease in the price of steers is not directly comparable to a 1-cent per pound decrease in retail beef prices, since it takes 2 1/4 pounds of live steer to make 1 pound of retail cuts of beef. Thus, a

Table 5.--Beef and steers: Stages of price change, 1962-63

Product	Rising		Steady	Falling	
	Period	Change	Period	Period	Change
Steers <u>1/</u>	Mid-June to early Sept.	\$4.88 per cwt.	Early Sept. to late Nov.	Late Nov. to mid-Mar.	-\$6.68 per cwt.
Beef carcasses <u>2/</u>	Early July to mid-Sept.	\$7.15 per cwt.	Mid-Sept. to mid-Dec.	Mid-Dec. to mid-Mar.	-\$8.69 per cwt.
Retail beef <u>3/</u>	Early July to late Sept.	5.9 ¢ per lb.	Late Sept. to late Jan.	Late Jan. to mid-Mar.	-6.9 ¢ per lb.

1/ Choice steers (900-1,100 lb.), Chicago.

2/ Choice carcasses (600-700 lb.), Chicago.

3/ Weighted average price of retail cuts, sample of 26 retail chains.

2/ The problem of evaluating retail price responses to supply changes is compounded by the difficulty of making meaningful observations of retail prices of beef. It is not enough to gather prices for a single cut of meat. Prices for all cuts of beef sold at retail must be weighted by their importance in the carcass into an appropriate average price. Further, a systematic effort must be made to include "special" prices when they are the effective prices at which important proportions of sales are made.

decrease (increase) in the value of 2 1/4 pounds of live steer (the live product equivalent) should be compared with a decrease (increase) in the retail price of beef per pound. 3/ Recent changes in the retail price per pound of Choice grade beef and the value of 2 1/4 pounds of Choice steer are shown below:

Retail price of beef per lb.--	Increase	Decrease
	<u>Cents</u>	<u>Cents</u>
July to Sept.	5.9	---
Jan. to mid-Mar.	---	6.9
Value of 2 1/4 lb. of live steer--		
Mid-June to Sept.	11.0	---
Nov. to mid-Mar.	---	15.0

A series of "adjusted" retail prices has been constructed to facilitate comparison between changes in actual prices and changes in steer prices (fig. 1). This series was constructed by keeping constant the margin between adjusted retail prices and the value of the live product equivalent. 4/ Comparison between the adjusted retail price and the actual retail price indicates that the value of the live product equivalent has declined more (in cents) than the retail price since November 1962. But last summer and fall the live product equivalent value increased faster and further than the actual retail price. Retail price adjustments are expected to continue after live prices stabilize.

Recent Price Adjustments Since 1950

Historically, the pattern of retail price adjustment to large supply changes has been quite similar to the one seen in 1962 and early 1963. In 5 periods of large price changes, actual retail beef prices and retail beef prices adjusted for changes in steer prices are compared (fig. 2). Although these periods are not similar in many respects, they were

3/ Changes in byproduct values were not included because weekly byproduct data were not available.

4/ The adjusted retail price for any week is the actual retail price on July 7, 1962 (the week before the price of steers began its summer rise) plus the change in the value of the live product equivalent from July 7 to that week.

selected because cattle and beef prices rose and fell sharply in each. In response to supply changes, retail prices usually did not fall as quickly or as far as might have been expected, given the declines in the price of live steers. Neither did they rise as rapidly or as far when prices were rising. The average increase in the value of the live product equivalent in these 5 periods was 10.9 cents (table 6). The increase in 1962 was 11.0 cents. The average retail price increase for beef in the 5 periods was 7.7 cents per pound compared with the 1962 increase of 5.9 cents.

The value of the live product equivalent declined 15 cents in 1962-1963 (by mid-March) compared with an average decline of 15 cents for the 5 periods. Retail beef prices dropped 6.9 cents in 1962-1963. The average was 8.9 cents. Changes in the 4 previous periods were from peak to trough; however, adjustments in the 1962-63 period are not complete. Live prices appear to be stabilizing, but retail prices probably will decline still more.

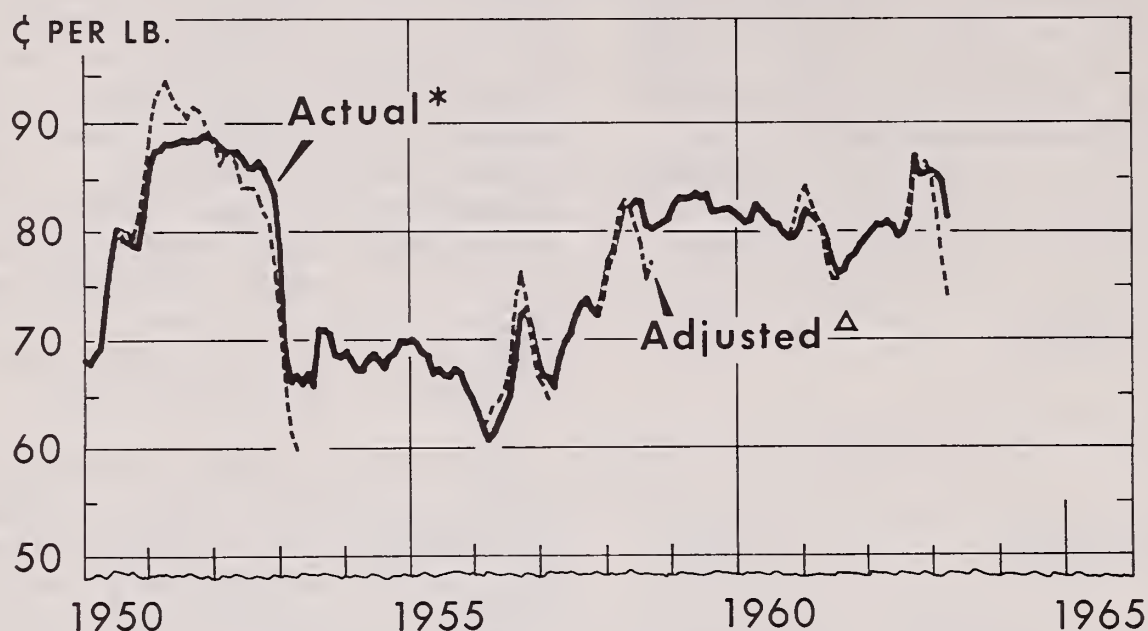
Live prices have shown a tendency to "overadjust" to both increasing and decreasing supplies. Rising cattle prices appear to go too high, falling prices too low relative to observed supply changes. By the same standard, retail prices seem to "underadjust." They appear to lag behind changes in supply (also wholesale and live prices) both when supplies are increasing and when they are decreasing.

Interpreting Differences in Live and Retail Price Adjustments

The differences in live and retail price adjustments demonstrate that the retail beef market is tied only loosely to the live steer market. These 2 separate (although interdependent) markets must adjust as supply and demand conditions change. Steers purchased in one market become the cuts of beef sold in the other.

Choice Grade

RETAIL PRICE OF BEEF



MONTHLY DATA. * AVERAGE PRICE IN URBAN AREAS.
Δ ADJUSTED FOR CHANGES IN PRICE OF CHOICE STEERS AT 20 MARKETS.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 1941-63 (4) ECONOMIC RESEARCH SERVICE

Figure 2

Table 6.--Change in retail price of Choice-grade beef per pound and in value of equivalent live product, selected periods, 1950-63

Period	Increase		Decrease	
	Beef <u>1/</u>	Live product equivalent <u>2/</u>	Beef <u>1/</u>	Live product equivalent <u>2/</u>
	Cents	Cents	Cents	Cents
1950-53	8.7	13.9	-22.8	-32.6
1956-57	10.9	14.3	-6.3	-11.7
1957-58	10.6	10.7	-2.6	-7.2
1960-61	2.5	4.8	-5.8	-8.6
1962-63	<u>3/</u> 5.9	<u>4/</u> 11.0	<u>3/</u> -6.9	<u>4/</u> -15.0
Average	7.7	10.9	-8.9	-15.0
Standard deviation	3.5	3.8	7.9	6.5

1/ Changes in weighted average retail price calculated from monthly prices of individual cuts published by the Bureau of Labor Statistics.

2/ Change in value of $2\frac{1}{4}$ lb. of Choice steer, calculated from average prices of steers (900-1,100 lb.) at 20 leading public stockyards.

3/ Changes in weighted average retail price calculated from prices of individual cuts reported by 26 retail food chains.

4/ Change in value of $2\frac{1}{4}$ lb. of Choice steer, calculated from prices of Choice steers (900-1,100 lb.) at Chicago.

Live purchases appear to the retailer (via the packer) as costs. While the costs of live animals account for a major part of the retail price of beef, competition (or the lack of it) among packers, retailers, and farmers (and between these market levels) is the ultimate force determining how prices react to changes in supply and demand. Although wholesale prices can be lowered when packers can purchase live steers more cheaply, this reaction can be expected only if competitors insist. If purchasing costs of retailers are reduced, retail prices can be lowered if competition makes this necessary. Competition is the force expected to maintain efficiency. The real possibility of a competitor selling at a lower price is expected to lead to the smallest margins consistent with the continued operation of efficient firms.

The fact that the pattern followed in this year's price responses is not demonstrably different from the patterns of the last 5 severe adjustments is a strong argument that competition today is no less (or no more) effective than in previous periods.

Still, why does it take a month or 2 for retail prices to begin to adjust to declines in livestock prices? The time it takes to move supplies and supply increases from level to level is part of the answer. Still another factor may be retailers' preference for stable "regular" prices. Another part arises from uncertainty. No one can be sure that any given change in costs will persist for a significant period.

Pricing Meats at Retail

Each retailer faces the problem of finding the "right" price for each cut of meat. To do this, he must anticipate his market, for he does not negotiate with his customers. If his price is too high, the cut will not sell well and he may lose customers; too low, and his profits decrease. Each retailer must solve this problem for 30 or more cuts of beef and

many other cuts of other meats. His costs (such as labor and rent) are only a rough guide to pricing for profit, and in most cases, he bought a carcass and has only an average cost of all cuts to go by.

Research has shown that retailers use a complicated set of reasons in estimating their consumers' reactions to prices and price changes. Many of them apparently conclude that they are in the best position to merchandise their products if prices are stable, except for "specials."

"Regular" and "Special" Prices

The tendency to hold "regular" retail beef and pork prices steady and adjust to changes in supply by changing the intensity of merchandising is clear from fig. 3 even though the period for which these data are available is fairly short. Regular prices are much less variable than prices which include "specials." Since most meat moves at the "special" price during the days when a special is offered, the series including specials is the more appropriate estimator of the average price of retail cuts.

These data also imply that when retail prices are rising, the spread between regular and special prices declines. When prices are falling, this spread increases as retailers move more of the supply by specials. Regular prices are reduced only when it becomes clear that the supply change is too great to be handled in this way and that competitors are likely to lower their regular prices.

The volume of beef sold at reduced prices must be considered when calculating the average retail price at which beef is sold. But the fact that retailers tend to hold regular prices as stable as possible may place some pressure on live prices during periods of supply changes when adjustments are needed at all levels.

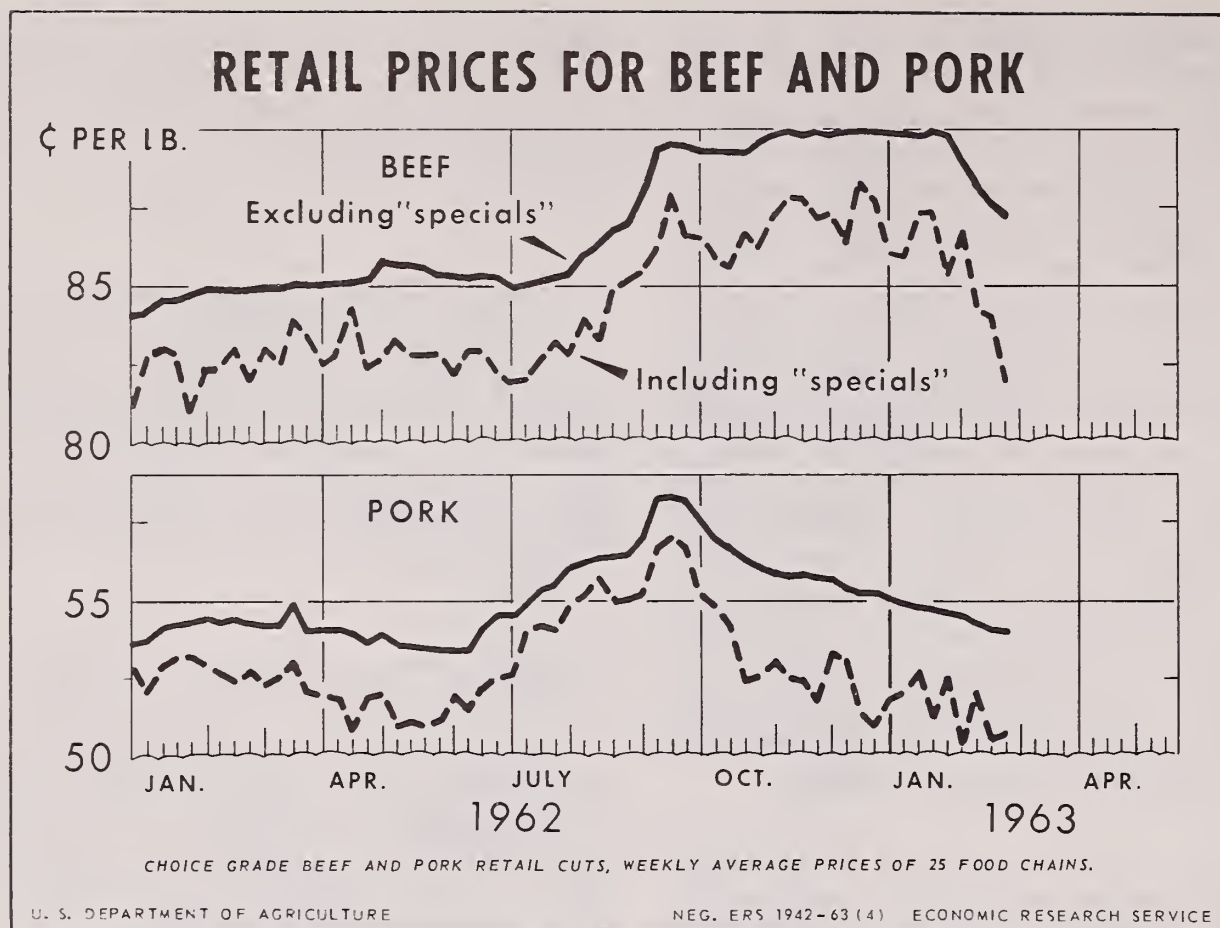


Figure 3

Possible Impacts on Other Market Levels

In practice, retailers "special" only a limited number of items each week. When supplies are heavy, this number increases. In any given week, however, many cuts are offered only at regular prices -- even when supplies are particularly heavy. Generally, beef cuts are not specialed heavily when pork or poultry specials are offered. Yet at times, such as last winter, supplies of beef, pork, and poultry increase together. In such a period, retailers apparently try to hold regular prices steady and offer more specials at lower prices. Finally, regular prices are reduced.

When increased supplies of several meats are moving into wholesale markets at lower prices, special sales at retail may not easily move these quantities. In such cases, unchanged regular prices may put additional downward pressure on

wholesale and live prices. The same rigidity, however, very likely puts similar upward pressures on rising prices during opposite supply circumstances. These pressures would depend on a combination of changes in supply of 2 or more meats or poultry -- rather unusual circumstances that probably would neither happen often nor persist for a very long period. The rigidity leading to such pressures would appear to grow out of the rules retailers use to price their products and the uncertainty they feel about the full extent of supply changes.

The pressures resulting from this rigidity and simultaneous changes in the supplies of several commodities, each competing for the retailers special merchandising efforts, may appear at the farm level as a temporary decrease or increase in demand. Under such circumstances the forces which cause retail prices to tend to "underadjust" to certain

supply changes may, in turn, be responsible for part of the "overadjustment" in live prices.

Although there is no significant evidence that retailers are able to ignore competition in planning their reaction to changes in supplies, it is very likely that the tendency of live prices to overadjust would be lessened if retail meat prices were more sensitive to wholesale and

live prices. To the extent that increases in retail price sensitivity would reduce this tendency, producers would be benefited. When live prices overadjust, production and feeding are overstimulated on rising markets and too sharply cut back on falling markets. The more accurate the economic indicators available to producers, the better they are able to adjust to changing economic situations.

THE IMPACT OF THE FLORIDA FREEZE ON PRICES OF ORANGE PRODUCTS 1/

In contrast to the increase in supplies for beef, the citrus industry was confronted last December by a sudden and unexpected decrease in available supplies. For 8 hours during the night of December 12 and the morning of December 13, 1962, freezing temperatures hit most of Florida's citrus producing areas, damaging trees, and inflicting heavy damage on the 1962-63 crop. 2/ The freeze reduced the potential production of frozen orange juice concentrate from an estimated 50 to 80 percent. 3/

This article traces price changes at the grower, processor, and retailer levels following the decrease in prospective supply. Retail prices in an east coast metropolitan area were analyzed by type of market organization: Affiliated and unaffiliated independent stores and multi-establishments. Prices of advertised and unadvertised brands of frozen concentrate were examined at processor and retail levels. Single strength orange juice prices were also considered because of the close relationship to concentrates.

The Supply Situation

Before the freeze, the industry faced a chronic surplus condition. The carry-over inventory for the 1962-63 season, beginning December 1, was 33.7 million gallons -- approximately 45 percent of the average yearly consumption of the previous 5 years and twice the previous year's carry-over. Further, the Crop Reporting Board on December 10, estimated a record large orange crop of 150.0 million boxes for 1962-63. Had this estimate materialized, it would have re-

sulted in a 12 million-box increase over the 1962 record crop.

The bumper crop in 1962 and the expected bumper crop for 1963 were a culmination of two factors: First, by 1962, orange groves were beginning to achieve full recovery from the last major freeze, which occurred in December 1957; and secondly, production was beginning to reflect increased grove plantings of recent years. The new groves were a response to the relatively good returns received by citrus producers in recent years, which in turn were due primarily to earlier shifts in consumer demand in favor of frozen citrus concentrate. To keep up with the growing citrus supplies, the industry had undertaken a major promotional effort in 1961 and 1962. However, these efforts failed to stimulate additional demand commensurate with production increases.

The freeze drastically changed this situation. The citrus industry was hit by the most damaging freeze in history, and it was evident that even with the record carry-over, prices would rise.

Grower Prices

Prices received by Florida growers jumped immediately for oranges surviving the freeze in a condition good enough to be sold as fresh fruit. Prices, which had averaged \$1.80 a box at mid-November 1962, increased to \$5.24 in January. They continued to rise until they reached \$5.78 in April.

The prices paid to growers for fruit destined for processing lagged behind

1/ Prepared by Jerald A. Gunnelson, agricultural economist, Marketing Economics Division, ERS.

2/ Florida produces 95 percent of total frozen orange juice concentrate.

3/ This percentage reduction was calculated in terms of forecast number of boxes times pounds of solids per box. Since the freeze reduced the actual yield of solids per box by approximately a third, the supply available to processors was reduced considerably more than the Crop Reporting Board's estimate of a 35 percent reduction in number of boxes.

prices for the fresh market due to the tremendous quantities dumped on the market from emergency salvage operations. But by 2 weeks after the freeze, prices of oranges for processing began to increase. Prices rose to \$1.20 a box by the end of December from about \$1.00 a box before the freeze. They continued to rise during January and February, reaching an average level of \$4.46 during April.

Processor Prices

Processors increased prices immediately in anticipation of drastically reduced supplies for the coming year. The market, which had been relatively inactive even at the low price of \$1.25 for a dozen 6-ounce cans of concentrate (unadvertised brands), increased immediately after the freeze to \$2.00 (table 7). On December 26, the price increased still further to \$2.30 (21 cents above the advertised brand price), but slid to \$2.05 a few days later. The \$2.30 level was reinstated on February 25, and on March 25 climbed to the near record high of \$2.55.

Processor prices of two leading advertised brands distributed in the community where retail prices were surveyed showed similar upward movements. Immediately after the freeze in December, they increased to \$2.09; they were \$1.72 prior to the freeze. These prices held until January 14, when they rose to \$2.49. Following these initial increases, three additional boosts were made: On February 25, prices went to \$2.59; 1 month later they increased to \$2.74; and on April 15, they rose to \$2.94. At the same time, some processors also initiated a rationing policy. Rationing of some brands has become more intense in recent months, according to trade sources.

Retail Prices

The reactions at the retail level, although generally following changes in processor prices, (f.o.b. Florida) varied significantly by type of retail organization (fig. 4). Retail price data collected weekly from 24 stores in an east coast metropolitan area showed that stores of multi-establishment firms responded most rapidly to processor price changes. Price changes of these stores appear to follow the processor price almost perfectly except for a lag of about 1 week. ^{4/} Multi-establishment prices, for example, were the only prices to follow the processor price of unadvertised brands after the January 14 decrease from \$2.30 to \$2.05. ^{5/} When the processor price returned to \$2.30 on February 25, multi-establishments responded by increasing their prices 1 week later.

The affiliated and unaffiliated independents responded much less rapidly to processor price changes. Affiliates, responding to the initial processor price change, increased prices gradually until the early part of February. A few weeks later they showed a slight price decrease, but this was 2 months after the processor prices declined. Unaffiliated prices exhibited similar responses to the initial processor price increase, but followed the processor price more closely thereafter.

Individual establishments of both categories of independents followed diverse response patterns (table 8). Establishment No. 12 responded immediately to the initial increase and also to the following price reduction and later price increase. In contrast establishment No. 21 kept its price unchanged until January 25. Three other independent establishments did not change their prices until the first half of January.

^{4/} This lag can be explained in part by transportation time from Florida and administrative lags in the retail organization.

^{5/} In trade terminology "advertised" includes all premium brands. "Unadvertised" includes all nonpremium brands. In averaging multi-establishment prices, retailer brands were included in the unadvertised group.

Table 7.--Frozen Orange Juice Concentrate: Price for 12 6-ounce cans, f.o.b. Florida, 1962-63

Date of price change:	Unadvertised brands	Advertised brands ^{1/}
	Dollars	Dollars
Dec. 13	1.25	1.72
Dec. 14	2.00	2.09
Dec. 26	2.30	<u>2/</u>
Jan. 14	2.05	2.49
Feb. 18	<u>2/</u>	2.59
Feb. 25	2.30	<u>2/</u>
Mar. 18	<u>2/</u>	2.74
Mar. 25	2.55	<u>2/</u>
Apr. 15	<u>2/</u>	2.94

^{1/} Prices of 2 leading advertised brands distributed in community where retail prices were collected.

2/ No change.

In general, retail margins have not increased appreciably from the pre-freeze period to the present. ^{6/} Unaffiliated independent stores had substantially higher margins before the freeze and during the last 2 months than other stores. But due to their slower response to the initial large processor price increase, their margins during the intermediate months were quite comparable to the multi-establishment and affiliated margins.

Advertised vs. Unadvertised Brands

Stores were out of stock more frequently of the advertised brands than for

the unadvertised brands. ^{7/} The two leading advertised brands showed extensive "out-of-stocks" after February 15, probably reflecting the rationing policies reported in effect for these brands. All retailers experienced about the same change in the number of out-of-stocks. Available evidence suggested that retailers did not take advantage of the rationing to increase margins on these brands. Out-of-stocks for unadvertised brands have shown a very small increase.

Competitive Products

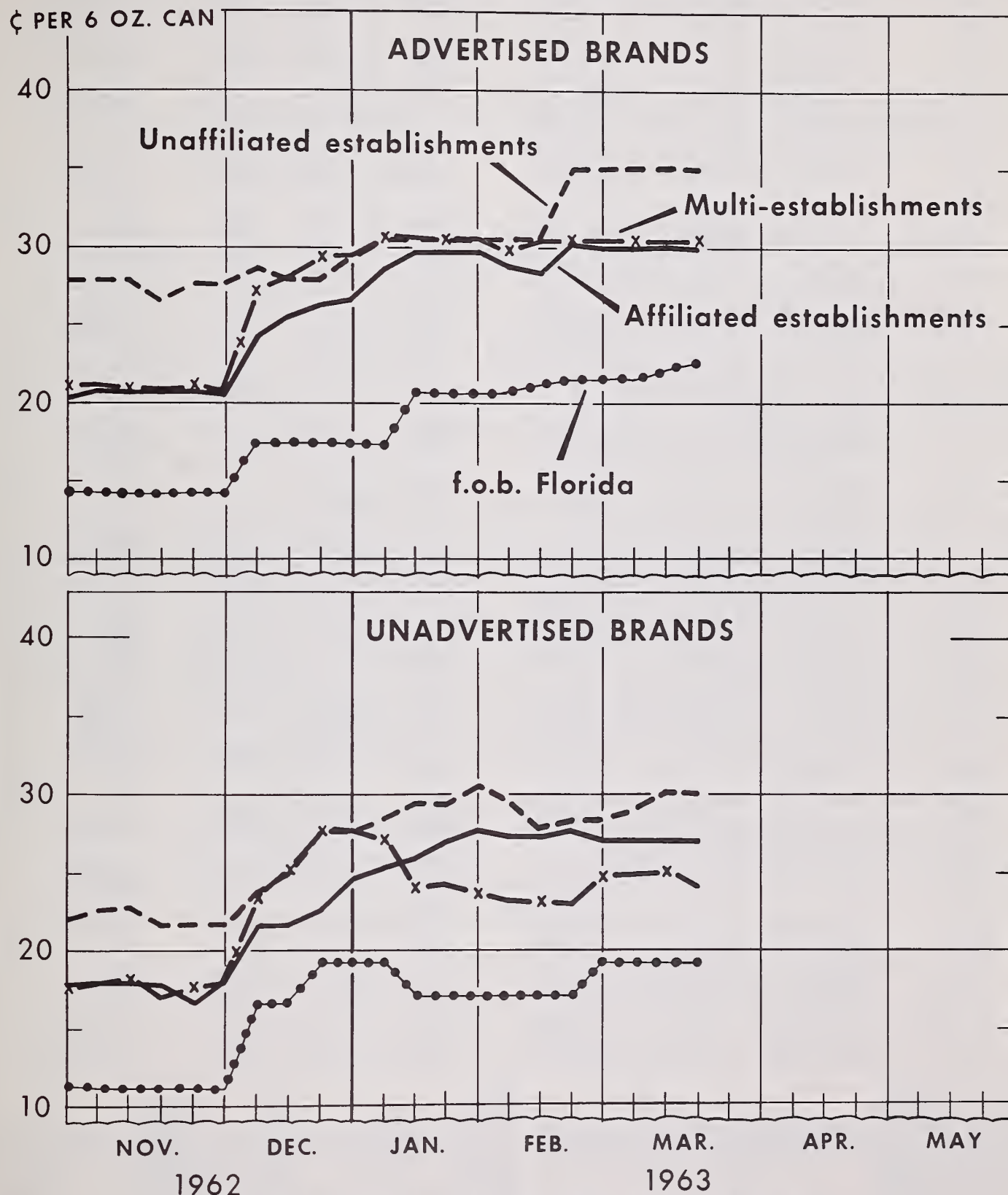
The prices of single strength orange juice increased in all establishments during the study period (November 2 -- March 29) but the increase was not as great as for orange concentrate. Whereas average orange concentrate prices increased from 42 percent to 44 percent depending on whether they were advertised or unadvertised brands; the price of single strength juice increased about 30 percent. During the initial reaction period from the freeze to mid-January the difference was much greater. Orange concentrate showed an average price increase of 38 percent; single strength prices increased only 8 percent. The difference in the percentage increase may be due to a slightly better supply situation for single strength juice, since much of the salvaged fruit had to be processed into this product.

The prices of tomato juice, a product not as closely substitutable as single strength orange juice, remained stable during the entire period in all establishments.

^{6/} The margin is the difference between the retail and processor price.

^{7/} An "out-of-stock" is defined as a normally carried brand that is not available in a store's freezer on the observation day.

RETAIL AND PROCESSOR PRICES OF FROZEN ORANGE JUICE CONCENTRATE



FRIDAY PRICES, NOV. 2, 1962-MAR. 22, 1963; RETAIL PRICES LAGGED 1 WEEK.
RETAIL STORES IN EAST COAST METROPOLITAN AREA.

Figure 4

MARKETING FOOD PRODUCTS IN AMERICAN SAMOA ^{1/}

Steps are being taken to stimulate the economic development of American Samoa, an underdeveloped territory of the United States. Improvement of domestic marketing practices is an essential part of this development.

The Economic Research Service conducted a study in 1962 of present marketing practices in order to recommend improvements. The Area Redevelopment Administration of the Department of Commerce provided funds for the study.

Retail trade is concentrated among a few retailers, with 4 firms controlling about half of the \$3 million in retail sales. The American policy of protecting the Samoans from loss of their land has made it difficult for outside retailers to become established in Samoa. Relaxing these policies might increase competition. There are no specialized wholesale firms on the Island. Retailers either import their supplies or buy supplies from other retailers. Retail price levels vary greatly among major retailers. Prices in stores that buy supplies from other retailers were about 12 percent higher than those in other stores.

Retail prices in Samoa of food imported from the United States average about 48 percent more than retail prices in the United States. About one-third of this additional amount is due to higher retail margins taken by the Samoan retailers. The remaining two-thirds is due to charges for ocean freight, commission merchant fees, and import duties. Operating costs are relatively low and profit ratios are high for the major retailers compared with U. S. food retailers. The study indicates that improvements in the marketing system are needed and suggests further research on the potential effectiveness of a consumer cooperative that might reduce retail prices by increasing competition.

The public market for locally grown produce is unorganized, lacking both direction and supervision. A new market facility is needed to improve sanitation, to insure fair marketing practices, to encourage farmers to produce and market more products, and to provide marketing services not generally available now.

American Samoa has no weights and measures laws. Establishment of such a system is basic to the development of the economy. Enforcement of such a law would protect seller and consumer alike.

American Samoa is in the throes of changing from a subsistence agricultural economy to the economy of the Western World. To help bridge the gap, the agricultural economy must be revitalized and new sources of income developed,

such as industrialization and tourism. Some new industries and tourism are already in prospect. Improved marketing practices are essential for the development of all sectors of the economy.

^{1/} Prepared by Henry T. Badger, agricultural economist, Marketing Economics Division, Economic Research Service.

This small South Pacific island group, ceded to the United States in 1900, is located about 14 degrees latitude south of the equator. Hawaii is about 2,300 miles northeast and Auckland, New Zealand, about 1,600 miles southwest.

American Samoa is composed of the 7 islands of the Samoan group east of the 171 meridian west longitude. Islands in the Samoan group west of this meridian are known as Western Samoa, an independent country since January 1962. Two of the islands comprising American Samoa are coral atolls; the other 5 are of volcanic origin. Pago Pago, the seat of the territorial government, is on Tutuila, the largest of the islands.

The population of American Samoa increased from 5,679 in 1900 to 20,051 in 1960. About four-fifths of the population live on the Island of Tutuila. Compared with the United States, the population of American Samoa is very young. The median age is 15.2 compared with 29.5 in the United States.

Tutuila is almost bisected by Pago Pago Bay. This mountain encompassed bay has one of the finest and most beautiful harbors in the world. There is a dock for ocean-going vessels -- either freighters or cruise ships.

The climate of these islands is tropical; temperatures range from 70 to 90 degrees year-round, and humidity averages about 80 percent. These conditions combine with a rainfall of about 200 inches a year to produce a lush growth of vegetation.

Samoans are one of the last groups of Polynesians to retain most of their cultural traditions. They are proud of their past and the older people tend to resist change from their traditional existence.

Resources on Samoa are limited. There are no known mineral deposits or natural resources other than agricultural lands and the marine life in the ocean. About one-fourth of the total land area is in

farms. Much of this is poorly used. Many villages are located on the flat lands that are especially suitable for agricultural production, while much of the farming is done on the steep slopes of the mountains. It is common for crops to be planted on a 45 degree slope. Farming methods are primitive. The stick and machete are the most important farming implements, as most of the farm land is not tilled.

The people subsist mainly on native foods that are high in starch content, such as bananas, taro, and breadfruit. Their diets are supplemented by citrus fruits, papaya, coconut and other tropical fruits and vegetables. Fish and pork furnish a limited amount of protein for their diets. Fresh dairy products are not available. They also use imported foods, if they can afford them. Expanded employment off the farms has created demand for more imported foods.

Each extended family is headed by one of its members, who is known as the Matai or chief of the family. The Matai represents the family members in village affairs, is responsible for their protection and well-being, and acts as a trustee for the family lands and property. In return, the Matai expects the family members to render services to him by either contributing work on communal projects or their income from employment elsewhere on the Island. The traditional system of communal lands is a central force in the Samoan society.

The policy of the territorial government has been to maintain Samoa for Samoans. The land tenure policy in American Samoa is designed to keep land ownership in the hands of the Samoans. No person who has less than one-half Samoan blood or who has not been born in American Samoa may buy any of the communal land. Land that may be owned by persons other than native Samoans is limited in acreage and owned mainly by the major retailers.

The principal employment, other than work for the Matai on the village farms,

is provided by the Government of American Samoa and by a tuna canning plant operated by an American company. A Japanese fishing fleet supplies the cannery with fish. A limited amount of employment is provided by the retail establishments, bus and taxi services, and the manufacture of handicraft products for sale to tourists.

At present the U. S. Government, through its grant-in-aid program, is providing many improvements for this island territory. This includes a new system of roads, electrification of all villages, new schools, and educational television. A jet air strip was completed and put into service last year. Plans call for the completion of a modern hotel to provide accommodations for tourists. The Samoan people are financing the hotel. Tourism will be encouraged. Another tuna canning plant and a coconut processing plant soon will be in operation, and will provide additional employment.

The Economic Research Service conducted a study in 1962 of the marketing of food products in American Samoa. Funds for the study were provided by the Area Redevelopment Administration, U. S. Department of Commerce. 2/

Retail Trade

Retail trade in American Samoa has an estimated value of slightly less than \$3 million a year. (This includes sales at "wholesale" prices to smaller retail stores.) Of the 115 retail establishments operating during the first quarter of 1962, a fourth accounted for 90 percent of the total retail sales. Ten of the largest establishments accounted for 58 percent of the total. However, 48 stores had sales of less than \$2,000 per year and accounted for only 1 percent of total sales. Four firms, operating 20 establishments, con-

trol about half of the retail trade on the Island.

Clerks serve customers in all retail establishments; there is no self-service. The large- and medium-sized stores handle a rather complete line of food and general merchandise, but many of the small stores offer a very limited selection. 3/

All of the large stores and most of the medium-sized ones are located in three adjoining villages on Pago Pago Bay. Most of the small and a few of the medium-sized stores are located in villages scattered throughout the Island.

Buying Practices.--Most of the products sold by retail stores in American Samoa are imported from other countries. No specialized wholesaler distributors are on the Island. The large- and medium-sized retailers and a few small-sized retailers import their own supplies. The smaller stores buy most of their supplies from other stores on the Island at "wholesale" prices. These wholesale prices are for purchases in case lots or more and generally represent a 5 percent discount off regular retail prices. Less-than-case lots are sold at regular retail prices.

Store operators importing their own supplies generally order through commission merchants in the States. The commission merchant places orders directly with manufacturers, pays the bills, and assembles the merchandise for shipment to the Samoan merchant. For this service, the commission merchant generally collects a 5-percent commission from the retailer ordering the merchandise. Some commission merchants charge as high as 7 1/2 percent and others may charge as low as 2 1/2 to 3 percent, depending somewhat on the volume of the order and type of merchandise ordered.

2/ This study supplements a report entitled "The Economic Needs of American Samoa," by Nathan Koenig for the U. S. Senate Committee on Interior and Insular Affairs and published as Part II of Senate Document 38, 87th Congress, 1st Session.

3/ For this report large stores are classed as those with annual sales of \$100,000 or more. Medium-sized stores are those with annual sales from \$20,000 to \$100,000, and small stores are those with sales under \$20,000 a year.

Some merchants order directly from manufacturers. This importing generally is restricted to large volume merchandise, such as cigarettes, beer, and canned evaporated milk. Several retailers in American Samoa are exclusive distributors for various brands of these products. Other retailers have the choice of buying from the distributor or importing the product through a commission merchant. If the distributor can buy in sufficient quantity to qualify for volume discounts, then he may be in a position to offer his product to other retailers at a lower price than they can obtain through a commission merchant. However, few products can be bought in such large volume.

Merchants in Samoa usually place orders for goods with commission merchants without knowing the exact price they will pay for the merchandise. They learn the price after the commission merchant has placed the order with the manufacturers and they receive the invoice.

Often 2 months pass between ordering by a Samoan merchant and delivery to Pago Pago. Because of this, Samoan stores often run out of many items before a shipment arrives. Not only does an "out-of-stock" condition lose sales for retailers, but it creates a hardship for their customers. Consumers must go from one store to another until they find the item they want.

Selling Practices.--Retailers in American Samoa generally priced their products in multiples of 5 cents. Small stores priced about 90 percent of the items included in the survey in multiples of 5 cents, and the large and medium stores priced about three-fourths in this manner. Only 2 stores priced less than half of their products in multiples of 5 cents.

Merchants probably apply a percentage markup to the price delivered Pago Pago to arrive at their selling prices. Then they generally round the unit price upward to the nearest multiple of 5. This practice contributes to higher prices and

highly variable margins, particularly for low-valued items. But, there is a tendency for the high volume items such as cigarettes and canned milk to be priced to the nearest cent rather than in multiples of 5 cents.

Many small stores marked up the price paid the larger store for the product by a set amount. For example, several operators stated that they added 5 cents to the purchase price of each item they handled regardless of purchase price. Others stated they added a smaller amount for the lower priced items than for the higher priced items.

Many retailers use the practice of varying the amount of product sold at the same stated price. For example, several stores were selling flour at 50 cents per bag, but the weight of the flour in the bags varied from 3 1/2 to 4 pounds among stores. Most of the customers bought "50 cents worth of flour" without knowing the actual weight of the flour in the bag.

It is believed that the different practices discussed here are the results of a desire on the part of both the merchant and the customer to simplify the arithmetic involved in a transaction. Pricing practices used on the public market also bear this out.

Every retail store contacted on the Island had a set of scales on the premises to use for weighing goods for sale. The accuracy of these scales is doubtful, particularly since they have never been checked for accuracy by a disinterested party. Two principal types of scales generally used by the retailers are the conventional balance type and the ordinary kitchen-type spring scales. Both types of scales often appeared to be in poor repair. If the balance-type scales were properly checked and leveled, they should give accurate weight, but it is doubtful if the spring-type scales could be made to give accurate weight. The spring-type scales generally were found in the small stores.

Scales are used principally to weigh out bulk sugar, flour, and rice, fresh fruits and vegetables, and fresh and frozen meats. These items represent a relatively small part of the total stock handled by the Samoan merchants. Most of the food products handled are packaged by the manufacturers.

Marketing Margins.--The retail cost of a market basket of 45 food items varied by about 9 percent among major retailers. The variation in retail cost was much greater for product groups than for the total market basket; the variation also was greater than generally encountered among competing supermarkets in the United States. Price levels were about 12 percent higher in stores that buy supplies from other retailers than in the stores of major retailers.

The gross retail margin for the larger retailers averaged about 25 percent of the retail price for a market basket of 45 food products (table 9). This margin was equivalent to a markup of about 34 percent of the price delivered Pago Pago. For the large stores margins ranged from 17 percent for meat products (excluding fresh and frozen meats) to about 35 percent for fruit and vegetable products.

Marketing charges include all charges incurred between the f.o.b. price at country of origin, and the price paid for the product at retail. The retail margins were the highest single marketing charge; ocean freight ranked next, averaging about 13 percent of the retail selling price for the major retailers. Duty, levied by the Government of American Samoa (GAS), averaged about 6 percent of the retail cost and charges made by commission merchants averaged about 3 percent (table 10).

Total marketing charges for moving food

products to consumers in American Samoa average about 89 percent of the f.o.b. prices of the products either Stateside or in other countries. ^{4/} Food chains distribute products to consumers in the United States for an average markup of about 28 percent on prices comparable to these f.o.b. prices. ^{5/} In general, this means that for food bought from retailers (as contrasted with the large quantity they produce for themselves) the people of American Samoa are paying about 48 percent more than the people in the United States. One-third of this additional amount, or 16 percentage points, is due to the higher retail margins taken by Samoan retailers. Two-thirds is due to additional charges for ocean freight, commission merchant fees, and GAS duty.

Retail margins for 24 miscellaneous nonfood items sold in Samoan stores averaged about 34 percent of the retail prices. This average is equivalent to a markup of 51 percent. Retail margins ranged from 19 percent of the selling price for face soap to 55 percent for cotton thread.

Ocean freight for the nonfood products averaged about 7 percent of the retail price. GAS duty averaged about 12 percent of the retail prices of these products, and 25 percent of f.o.b. prices. The 5-percent buying commission for these same items averaged 2.3 percent of the retail price.

The accumulated findings of this study suggest that the establishment of a consumer cooperative would reduce the general retail price level by increasing competition. The study further suggests that a cooperative wholesale operation in combination with the retail cooperative might reduce prices in the smaller stores; but further research is needed. Land tenure and other policies generally prevent

^{4/} Samoan retailers perform about the same marketing functions as the U. S. food chains, such as buying, warehousing, and distributing to stores. Ocean freight, duty, and commission fees represent additional marketing charges applicable only to the Samoan situation.

^{5/} Robert D. Buzzell, Operating Results of Food Chains in 1961, Harvard Business School, Bull. No. 164, Sept. 1962.

Table 9.--Average and range in retail margins and markups for a market basket of 45 identical food products priced in 8 large stores, Island of Tutuila, American Samoa, May-June 1962 ^{1/}

Product groups	Average		Range			
	Margin	Markup	Lowest		Highest	
			Margin	Markup	Margin	Markup
	Percent	Percent	Percent	Percent	Percent	Percent
Meat ^{2/}	17.3	20.9	13.4	15.5	21.2	26.9
Dairy	18.2	22.2	13.0	15.0	20.5	25.9
Cereal	27.9	38.7	17.4	21.0	39.2	64.5
Fruits and vegetables	34.5	52.6	15.9	18.8	43.3	76.4
Fats and oils	18.6	22.8	13.1	15.1	22.6	29.2
Poultry and eggs	28.7	40.3	22.0	28.2	32.4	47.8
Miscellaneous	23.8	31.3	16.9	20.3	30.2	43.3
All groups	25.2	33.8	15.7	18.7	32.5	48.1

^{1/} Retail margin shown as a percentage of retail selling price and markup shown as a percentage of price delivered Pago Pago. Large stores, annual sales of \$100,000 or more.

^{2/} Does not include fresh meats, but includes canned fish products.

Table 10.--Average marketing charges as percentages of retail cost of a market basket of 45 identical food products, priced in 8 large and 9 medium-sized sample stores, by product groups, Island of Tutuila, American Samoa, May-June 1962

Store size and marketing charge	Meats ^{1/}	Dairy	Cereal	Fruits and vegetables	Fats and oils	Poultry and eggs	Miscellaneous	All
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Large stores:								
Retail margin	17.3	18.2	27.9	34.5	18.6	28.7	23.8	25.2
Duty, GAS	9.6	---	7.1	2.7	8.9	---	8.0	5.9
Ocean freight	3.5	9.9	15.1	24.0	10.0	12.0	11.8	13.4
Buying commission	3.3	3.4	2.4	1.8	3.0	2.8	2.7	2.7
F.o.b. price	66.3	68.5	47.5	37.0	59.5	56.5	53.7	52.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Medium stores:								
Retail margin	14.5	20.3	26.6	37.8	18.0	33.6	24.4	26.0
Duty, GAS	10.0	---	7.3	2.5	9.0	---	8.0	5.9
Ocean freight	3.6	9.7	15.3	22.8	10.1	11.2	11.7	13.2
Buying commission	3.4	3.3	2.4	1.8	3.0	2.6	2.7	2.6
F.o.b. price	68.5	66.7	48.4	35.1	59.9	52.6	53.2	52.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

^{1/} Excludes fresh meats, and includes canned fish products.

^{2/} Large stores, annual sales of \$100,000 or more.

^{3/} Medium stores, annual sales of \$20,000 to \$100,000.

outside retailers from entering into business. Modification of these policies might provide more competition. The enforcement of a weights and measures law would generally benefit both buyers and sellers. Also, the establishment of minimum standards of sanitation for retail establishments and regulations to insure proper handling of perishable products would be in the interest of the Samoan people.

The Public Market

Most of the agricultural production in Samoa is used in the villages where produced, and the surplus is sold privately or on the public market. The public market on the Island of Tutuila consists of the general area presently used as a bus terminal in the village of Fagatogo. This area includes the present government-owned market facility, a small covered area with a concrete floor, and an open area under the trees along the street to the north of the terminal area. In general, the market is unorganized.

Sellers in the market, who are mostly from the villages and farms on the Island, display products on the ground. The area under the trees appears to be the most popular. Those that use the market facility sit just inside in the shade and display products outside on the ground. The present market facility appears to serve as a meeting place for Samoans and as an area to wait for the bus. Because of the bus terminal, the market area probably has a higher concentration of people during the day than any area on the Island. The area, which is seldom cleaned and has large mud holes, is one of the most unsanitary places on the Island. Produce is often displayed on the ground in the sun or the rain and even near filth.

The area under the trees is used both as a place for buses to park and as a market place. The produce is unloaded and displayed a few feet from where the buses are parked when they arrive in the

morning. Each seller sits on the ground next to his products, making little or no effort to sell. In many respects, activities in the market remind one of a social gathering. No doubt the social aspect is important to many sellers, many of whom are women. Men generally sell heavy items, such as green bananas and large quantities of taro.

No middlemen sell on this market. Most sellers come on the bus directly from their villages each morning. As many as 15 sellers from one village were observed on the market on a Saturday. Apparently, sellers from a village do not attempt to assemble their products and send only one seller to the market. A few sellers spend the night in the market area. Another family member, who may be coming in to work at another job, brings a fresh supply of products the next morning.

The one-way fare on the Government bus from the villages to the market varies from 25 to 60 cents, depending on the distance traveled. Fares are higher on private buses. Sellers also must pay as much as 25 cents per basket to haul their produce on the bus. Buses are open-air with benches made of boards on either side for the passengers. The baskets of produce are stacked in the aisle in the middle. Passenger inconvenience does not appear to be considered.

A study of the public market was conducted during the 5-week period from May 21 through June 23, 1962. The object was to ascertain the importance of the market in the Samoan economy and to observe marketing practices. The findings of this survey are to be used in planning for the future development of the market.

Value of Sales.--The value of products offered for sale on the Samoan Public Market is estimated to be about \$88,000 per year. This estimate is based on the average of \$1,684 per week for the 5 weeks of the survey. The value per week varied, ranging from a low of \$1,267 during the first week to as much

as \$1,955 during the third week. The estimate does not allow for seasonal changes in product availability. Sales made by American Samoans account for about \$73,000 of the total annual sales. This represents a net addition to the Samoan economy because it is trade among the Samoan people involving their own resources. Sales by sellers from Western Samoa and Tonga amount to about \$15,000 a year. In effect, sales by foreign sellers on the market represent a loss of potential production for the Samoan economy. Much of the \$15,000 spent for these foreign products comes from Government salaries. In turn, these dollars are used by foreign Governments and their citizens to make purchases and investments in the United States.

The number of sellers on the market on Saturday, the most active day, averaged 53 and ranged from 33 during the fifth week to 70 during the second week. An average of only 11 sellers were on the market on Mondays.

Value per seller averaged \$10.27 per day for the 5 weeks studied, ranging from \$4.92 on Mondays to \$14.60 on Saturdays. The median value per seller, however, was much lower than the average, ranging from \$3.66 on Mondays to \$9.30 on Saturdays. The median was consistently lower than the average throughout the study, which means more small sellers were on the market than large ones. At least one-third of all sellers averaged less than \$5 per day.

Sellers offered about 35 products on the market during the study. The greatest variety was offered on Saturdays -- averaging 18 products. As many as 25 products were offered on the second Saturday and as few as 5 products on the fifth Monday. Since there is such a wide variation in availability of products by days of the week, potential market customers must select a day to shop when they expect certain products to be on the market.

Green bananas were the most important item offered for sale on the market -- accounting for 45 percent of the total

value sold during this study. Taro, including giant taro, accounted for more than one-third of total value and mature coconuts for about 5 percent. Of all the items offered for sale on the market during the 5 weeks studied, 12 products accounted for 95 percent of the total value (table 11).

Pricing Practices.--Prices of products quoted to the enumerator varied little during the course of the survey. The price quoted apparently had little relation to the supply of a product on the market during a given day. The only product for which the price changed appreciably was green bananas, whose price rose from \$1.50 to \$2.50 per basket.

Many sellers did not change prices except at the end of the day and did not take unsold products back to their village. At the end of the day or when they decided to leave the market, they would sell out at a reduced price or give their products away. In a conventional competitive market we would expect gradual price changes.

Prices made little or no response to seasonal changes in supply. For example, breadfruit was plentiful when the study began, but it was rarely on the market near the end of the study because the growing season was about over. However, the price of breadfruit remained about the same.

Sellers on the public market priced all their products in multiples of 5 cents. Many products were priced at 25 or 50 cents or a dollar a unit. Perhaps the main reason for this pricing practice was ease of computation for both buyer and seller.

Weights and Measures.--The volume of the "Samoan standard container," a basket woven from a coconut frond, varies with the size of the frond from which it was woven. The quantity of product that can be loaded in the basket varies greatly. For example, several baskets of green bananas, each selling for \$2.50, were weighed and found to vary from 55 to

Table 11.--Value of products for sale on the public market, 5 weeks during May and June 1962, Island of Tutuila, American Samoa

Products	Value of products		
	Total	Average per	Percentage
	(5 weeks)	week	of total
	Dollars	Dollars	Percent
Green bananas	3,813.25	762.65	45.2
Taro	2,459.22	491.84	29.2
Giant taro	433.00	86.60	5.1
Coconuts (mature)	420.75	84.15	5.0
Oranges	174.18	34.84	2.1
Firewood	139.50	27.90	1.7
Coconuts (green)	136.35	27.27	1.6
Yams	101.33	20.27	1.2
Samoan oil	91.50	18.30	1.1
Tobacco	82.00	16.40	1.0
Papayas	78.70	15.74	.9
Ripe bananas	61.91	12.38	.7
Cooked food (ifi, aiga, and vi)	56.50	11.30	.7
Cabbage	50.55	10.11	.6
Cucumbers	46.06	9.21	.5
Pineapples	41.00	8.20	.5
Breadfruit	32.50	6.50	.4
Limes	31.76	6.35	.4
Banana leaves	31.25	6.25	.4
Taro leaves	21.75	4.35	.3
Lemons	17.70	3.54	.2
Tauago (strainer)	13.60	2.72	.2
Sugarcane	12.55	2.51	.1
Taro plants	11.50	2.30	.1
Onions	11.00	2.20	.1
Green beans	10.90	2.18	.1
Uta (shell necklace)	8.00	1.60	.1
Faavai (taro bread)	7.50	1.50	.1
Radishes	7.30	1.46	.1
Starch	5.50	1.10	.1
Fish	5.00	1.00	.1
Miscellaneous	8.58	1.72	.1
Total	8,422.19	1,684.44	100.0

85 pounds. Although the Samoan basket is functional and is free of cost except for the labor required to weave it, it should not be used as a unit of measure.

Many items are sold by the "piece" on the public market. The seller estimates the size of the product and sells it at "so many pieces" for a certain amount of money. For example, taro is sold at

1 to 10 pieces for a dollar, depending on the size of the roots. Actual weights of various lots of taro, each selling for a dollar, ranged from 11 to 17 pounds. In this situation, both the seller and the buyer need the protection of standard weights and measures.

Many sellers on the market use the term "pound" without knowing its true

meaning. A handful of string beans may be considered a pound, or 12 ripe bananas. There is great need to educate sellers and buyers on the merits of basing transactions on standard units.

The present method of selling on the Samoan public market is archaic and unsanitary and does not meet the needs of an expanding economy. Assembly of products in villages would reduce the number of sellers on the market, which would save the time of unneeded sellers and costs of their transportation. Many of the marketing practices are unjust to both buyers and sellers because of the lack of standard weights and measures.

Both Samoan farmers and consumers need a new marketing facility and improved marketing practices. The USDA has drafted tentative plans for a new

market. The present market does not provide Samoan farmers with the incentive to produce products to sell. The development of the domestic agricultural economy of American Samoa must be accompanied by an improved marketing system that includes new marketing facilities, better assembling methods, a weights and measures system, and also a new approach to marketing.

The management of the new marketing facility should demonstrate better marketing practices. Farmers in American Samoa should be encouraged to produce products to sell. To help accomplish this, extension workers must anticipate marketing requirements in advance to provide production guides for the farmers. Initiation of a simple grading system for farm produce could be used to emphasize the relation of price and quality.

FOR-HIRE CARRIERS HAULING EXEMPT AGRICULTURAL COMMODITIES 1/

Little has been known about the part of the motor carrier industry that engages exclusively in for-hire trucking of commodities exempt from economic regulation by the Interstate Commerce Commission. These exempt truckers are not subject to control by that agency as to entry into business, routes traveled, and rates charged. They transport livestock, fish (including shell fish), or agricultural (including horticultural) commodities (not including manufactured products thereof). Vehicles used by these carriers may not be used to carry any other property or passengers for compensation (unless tripple-leased). The volume of exempt traffic is substantial and appears to be growing.

Twelve national organizations representing a major portion of the nation's farmers, fishermen, and allied distribution industries have joined in support of removal of minimum rate regulation from the transportation of agricultural and bulk commodities by all modes of transportation. The President in his April 1962 message to Congress recommended that this be done, or that all modes be brought under regulation. The President repeated this recommendation in his message to the Congress on March 5, 1963.

To ascertain some of the facts, the USDA conducted a study of the exempt trucking industry. This study is part of the Department's broad program to improve the distribution of farm products.

Questionnaires were mailed to 5,584 exempt trucking operators throughout the continental United States to gather data on their operations. Of the replies received, 1,514 were usable. 2/ Findings in the report are based on these replies.

Length of Time in Business

It has been alleged that many exempt truckers enter the business today and are out of business tomorrow. For that reason a question on length of time in business was made a part of the survey.

Seventy-five percent of the reporting firms had been in business 5 years or more; nearly 60 percent reported they had been in business 10 years or more; and 40 percent reported they had been in business 15 years or more (table 12). Of the total, 8 percent or 114 firms reported they had been in business 30 years or more.

The North Atlantic, East North Central, and West North Central regions had the highest percentage of firms in business 10 years or more. For each of these regions it was more than 60 percent.

Since the mailing list was not up-to-date, the replies in the table dealing with length of time in business may not be typical of the industry. Also responses tended to come from the more successful operators.

Number of Vehicles Per Firm

Of the firms supplying usable questionnaires, 178 operated only 1 vehicle -- a straight truck; 361 operated 1 tractor-trailer combination; and 68 firms had 1 vehicle of each of these types. These 3 groups of firms represented 40 percent of the total reporting.

Although many truck operators had only 1 or 2 trucks, many had either several straight trucks or several tractor-trailer combinations. Of the 1,771 straight trucks reported in the survey, 234 were used by

1/ Prepared by Mildred R. DeWolfe, survey statistician, Marketing Economics Division, ERS. This article is based on information contained in USDA Mktg. Res. Rpt. 585, "For-Hire Motor Carriers Hauling Exempt Agricultural Commodities -- Nature and Extent of Operations," issued in Jan. 1963.

2/ Of the 3,661 questionnaires returned, 549 had been unopened and 1,598 were not usable -- some had ICC operating authority, others were out of business, had never been in the trucking industry, or furnished no information.

Table 12.--Percentage of truckers in business for specified periods, by region of home office, 1961

Years in business :	North Atlantic :	East North Central :	West North Central :	South Atlantic :	South Central :	Western :	All Regions :
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
5 or more:	84	80	78	75	75	71	76
10 or more:	61	67	63	55	54	56	59
15 or more:	34	49	52	38	36	35	40
20 or more:	24	36	29	24	25	24	27
25 or more:	16	22	18	13	13	16	16
30 or more:	8	10	7	8	4	7	8

13 carriers, who represented fewer than 1 percent of the firms covered. Similarly, of the 3,359 tractors reported, 1,039 were operated by 50 carriers -- only 3 percent of the total carriers in the survey.

Volume and Type of Tonnage Hauled

Tonnage hauled by responding firms was classified in 8 major commodity groups and an "other" group, which included commodities not otherwise specified. The "other" group included: Horticultural crops, seafoods, logs (trees cut to length), tobacco, nuts, honey, natural fertilizer, and empty containers used in hauling exempt agricultural commodities.

The reporting firms hauled more than 9 million tons of all commodities combined (table 13). Grain, representing the largest tonnage, was 29 percent of the total. Livestock, the second largest, amounted to 20 percent, and the milk and cream group was third with 14 percent. Vegetables made up 12 percent; fruits and berries just slightly over 9 percent; poultry and eggs, 5 percent; cotton and wool, 2 percent; and hay and forage a little more than 1 percent. The other group amounted to 7 percent of the total tonnage.

Usually, the largest tonnage hauled by carriers from each region was a commodity produced in quantity in the region.

Livestock movements by carriers in the survey followed the same regional pattern as livestock marketings for the United States. Comparison of percentage distribution showed in both cases that the West North Central had the largest volume, East North Central ranked second, and the North Atlantic region last. Total livestock hauled by carriers in the study amounted to 6 percent of livestock marketings for the United States.

When tonnages of 8 grains sold in the United States were totaled by production regions, the regional percentages for grains sold and for grains hauled by carriers in this study showed the same distribution.

Tonnage of all commodities hauled by the 1,514 carriers averaged 6,062 tons per carrier. Average tonnage per carrier was largest for the East North Central region -- 8,548 tons. Thirty-seven percent of this tonnage was grain, a commodity transported mainly in bulk. Since no space was needed for packaging or refrigerating equipment, a truck could be loaded to capacity with grain, providing the loaded weight stayed within the weight limits of the States through which it passes. By contrast, average tonnage per carrier for the South Atlantic region was the smallest of all the regions -- 5,304 tons. About 47 percent of tonnage was fruits, berries, and vegetables. Frequently these were shipped in containers and required

Table 13.--Tonnage of exempt commodities hauled by truckers,
by region of home office, 1960 1/

Region of home office	Fruits and berries	Vegetables	Poultry and eggs	Grain	Livestock	Cotton and wool
	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons
North Atlantic	85.6	157.6	39.1	60.4	66.2	0.4
East North Central	93.1	141.4	49.5	621.3	281.4	.5
West North Central	42.4	88.7	178.6	981.4	963.4	1.5
South Atlantic	409.5	314.9	128.2	96.0	93.6	51.1
South Central	98.5	152.5	60.6	555.0	167.1	123.5
Western	134.7	239.3	3.9	366.5	246.0	2.8
Total	863.8	1,094.4	459.9	2,680.6	1,817.7	179.8
	Hay and forage	Milk and Cream	Other	Total	Truckers reporting tonnage	Average per carrier
	1,000 tons	1,000 tons	1,000 tons	1,000 tons	Firms	Tons
North Atlantic	4.4	364.4	88.4	866.5	135	6,419
East North Central	5.0	334.7	148.6	1,675.4	196	8,548
West North Central	40.1	86.1	133.0	2,515.3	467	5,386
South Atlantic	9.3	343.8	107.8	1,554.2	293	5,304
South Central	13.5	92.7	103.3	1,366.7	205	6,667
Western	52.3	53.9	100.7	1,200.0	218	5,505
Total	124.6	1,275.6	681.8	9,178.1	1,514	6,062

1/ Tonnage hauled by truckers supplying questionnaires used in ERS study.

refrigeration equipment, which used space that could have been utilized for the commodity.

Direction of Haul

In an effort to learn how many trucks returned home without loads, the carriers were asked to record separately outbound and homebound (inbound) tonnage. About 6.9 million tons, or three-fourths of the total tonnage, was recorded by the carriers as outbound and only one-fourth as homebound.

Poultry and eggs and cotton and wool were the 2 commodity groups with the lowest percentage of homebound tonnage. The proportion of homebound tonnage was larger for vegetables than for any other commodity, about 350,000 tons, or 32 percent of the total trucked by all carriers.

Many carriers indicated that they trip-leased on return trips; that is, they leased their equipment for a one-way or single haul. A carrier need not make any change in his equipment for a trip-lease except to place a placard on the vehicle power unit stating there has been a lease to an authorized carrier.

Miles Traveled

Truckers reported traveling about 278 million miles during the year 1960 -- an average of over 183,000 miles per carrier. Average miles per carrier were highest for carriers in the South Central, almost 250,000 miles, and lowest for carriers in the West North Central, slightly more than 150,000 miles.

Seventy percent of all miles traveled were laden miles. Truckers from the Western region reported three-fourths of their miles laden. For remaining regions, laden miles ranged from 64 percent for the East North Central to 72 percent for the South Central.

More than a fourth of the carriers traveled between 100,000 and 250,000 miles, with 38 carriers (about 3 percent of all carriers) traveling 1 million miles or more. Less than 10 percent of the truckers traveled fewer than 25,000 miles.

One-fourth of the truckers traveled laden between 100,000 and 250,000 miles and about 2 percent of them at least 1 million miles.

About 1 percent of the truckers reported they had no empty miles, but 2 carriers reported that their trucks traveled at least 1 million miles empty. These were large carriers and the empty mileage amounted to 33 percent of all miles traveled by one carrier and 45 percent by the other. The greatest number -- 673 of 1,514 carriers -- had fewer than 25,000 empty miles.

Average Miles Per Vehicle

Average total vehicle miles traveled per truck for all carriers was 54,000 miles. Vehicle-mile averages varied considerably among regions. Truckers in the South Central region reported the highest -- an average of over 71,000 miles. Truckers from the Western region were next -- about 62,000 miles. Truckers from North Atlantic and East North Central regions reported the lowest averages per

vehicle -- approximately 43,000 miles.

Interstate Mileage

Average mileage per vehicle was much higher for carriers who reported only interstate hauls. The average for vehicles used exclusively in interstate hauls was about 70,000 miles per vehicle -- almost 16,000 miles more than for all vehicles used in interstate and intrastate hauls.

Of the 1,514 carriers reporting in the survey, 529 listed only interstate tonnage. About 54 percent of the total tonnage transported was interstate hauls -- almost 5 million tons.

Principal Movements of Commodities

Many exempt for-hire truck operators haul agricultural commodities to many States because of their freedom from regulation of routes and rates. Carriers reported that 35 percent of their principal movements of exempt commodities originated outside their home regions, and that 49 percent of principal deliveries were made outside their region (table 14).

Truckers in the South Central region reported more than half their principal movements originated outside the home region; for those in the North Atlantic and East North Central regions, about 40 percent originated in other regions. Only the Western region had less than 25 percent of major commodity movements originating outside its home region.

Deliveries outside home regions accounted for one-half to two-thirds of major commodity movements for truckers from 3 regions -- South Atlantic, South Central, and East North Central.

It should also be noted that although 65 percent of the originations and 51 percent of the deliveries were within the region of the carrier's home office, many of the intra-regional movements were made between States. More than a third of the carriers in the study hauled exclusively

Table 14.--Percentage of principal movements of exempt commodities that originated in or were delivered to the trucker's own region or outside it, by region of home office, 1960

Region of home office	Originated--		Delivered--	
	Within own region	Outside of region	Within own region	Outside of region
	Percent	Percent	Percent	Percent
North Atlantic	60	40	64	36
East North Central	58	42	47	53
West North Central	75	25	59	41
South Atlantic	64	36	35	65
South Central	44	56	47	53
Western	85	15	72	28
Total	65	35	51	49

interstate and over half of the carriers' total tonnage was transported between States.

Carriers reported originating more principal movements of vegetables than any other commodity -- 28 percent of all their hauls. Fruits and berries ranked second at 19 percent. Grain accounted for 18 percent; livestock for 13 percent; and poultry and eggs, hay and forage, milk and cream, cotton and wool, and commodities not specified elsewhere for 22 percent.

Carriers from every region moved large quantities of commodities in the miscellaneous group.

Carriers registered in the South Atlantic and South Central regions delivered fruits and berries and vegetables through the United States. A carrier from the North Atlantic region delivered vegetables to all States. Poultry and eggs and grain were delivered throughout the United States by a South Central region carrier, and livestock was delivered by a West North Central region carrier to all States. A trucker from Florida hauled fresh vegetables to "all eastern cities," fresh vegetables from Virginia, North Carolina, and South Carolina to eastern and midwestern States, and fresh vegetables from Florida to

California. He then brought back fruits and berries and vegetables from California to Florida. All commodity groups except milk and cream and cotton and wool were moved into Canada by numerous carriers from several of the regions. Poultry and eggs, grain, livestock, and some other commodities were picked up in Canada and brought back to the United States by these carriers. A carrier in the Western region reported that he picked up a load of vegetables in Mexico.

The many varieties of fruits, berries, and vegetables maturing at different times in various parts of the country probably accounted for the fresh produce being picked up in every region and delivered to every region by the carriers in the study. For example, a Florida carrier hauled a load of oranges to Massachusetts and brought back a load of cranberries. He took a load of watermelons to New Jersey and brought back a load of blueberries. A Texas trucker delivered a load of grapefruit to Michigan and returned with a load of cherries. The growing requirements of these products are so different that they are generally restricted to certain areas of the United States. Some of the other commodities, such as livestock, grain, poultry and eggs, and milk and cream, are produced in large quantities in several regions.

SELECTED NEW PUBLICATIONS

1. "Advertising Procedures and Practices of Agricultural Commodity Promotion Groups," by Robert E. Frye, Harper W. Boyd, Jr., and Ralph Westfall, U. S. Dept. Agr., Econ. Res. Ser., MRR-567, Nov. 1962.
2. "Costs of Operating Exempt For-Hire Motor Carriers of Agricultural Commodities -- A Pilot Study in Delaware, Maryland, and Virginia," by John H. Hunter, Jr., U. S. Dept. Agr., ERS-109, Feb. 1963.
3. "Dehydrofrozen Apple Slices: Their Potential in Selected Markets," by Edward J. McGrath and Howard W. Kerr, Jr., U. S. Dept. Agr., Econ. Res. Ser., MRR-578, Jan. 1963.
4. "Economic Effects of U. S. Grades for Lamb," by Darrell F. Fienup, William C. Motes, Stephen J. Hiemstra, and Robert L. Laubis, U. S. Dept. Agr., Econ. Res. Rpt., AER-25, Feb. 1963.
5. "Market Test of Instant Sweetpotatoes in Selected Institutional Outlets," by Philip B. Dwoskin, O. C. Hester, Howard W. Kerr, Jr. and James A. Bayton, U. S. Dept. Agr., Econ. Res. Ser., MRR-580, Jan. 1963.
6. "Marketing Western Fruits and Vegetables -- Long-Term Outlook," by Dale G. Stallings, U. S. Dept. Agr., ERS-77, Mar. 1963.
7. "Milk Movement Patterns in the Southeast," by D. H. Carley and J. C. Purcell, Bull. 84, Southern Cooperative Series, Apr. 1962. (Agr. Expt. Stas. Ala., Fla., Ga., N. C., S. C., Tenn., and ERS cooperating.)
8. "Prices and Marketing Margins for Washington Delicious Apples Sold in Chicago and New York City, 1956-61," by Victor G. Edman, U. S. Dept. Agr., Econ. Res. Ser., MRR-586, Feb. 1963.
9. "Redi Wheat -- A New Canned Cooked Bulgur, Market Position and Consumer Acceptance in Wichita, Kansas," by Haven D. Umstott and Dan S. Hollon, U. S. Dept. Agr., Econ. Res. Ser., MRR-574, Dec. 1962.
10. "Retail Price Specials for Frying Chickens in Selected U. S. Cities, 1960-61," by Leo R. Gray, U. S. Dept. Agr., ERS-101, Jan. 1963.
11. "Services of Institutional Wholesale Grocers -- Opinions of Food-Service Operators," by Paul Wischkaemper and John C. Bouma, U. S. Dept. Agr., Agr. Mktg. Ser., MRR-571, Dec. 1962.
12. "The Market Potential for Superconcentrated Apple Juice," by Edward J. McGrath and Margaret Weidenhamer, U. S. Dept. Agr., Econ. Res. Ser. and Stat. Rptg. Ser., MRR-582, Jan. 1963.
13. "The Southeastern Vegetable Processing Industry: Marketing Practices and Management Problems, 1960," by F. W. Williams and M. B. Allen, U. S. Dept. Agr., Econ. Res. Ser., MRR-583, Jan. 1963. (Ga. Expt. Sta. cooperating.)

Publications issued by State Agricultural Experiment
Stations may be obtained from the issuing Station.

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: The next issue of the Marketing and Transportation
: Situation is scheduled for Release August 12, A.M.
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Table 15.--Farm food products: Retail cost, farm value of equivalent quantities sold by producers, byproduct allowance, farm-retail spread, and farmer's share of retail cost, January-March 1963 ^{1/}

Product ^{2/}	Farm equivalent	Retail unit	Retail cost	Gross farm value	Byproduct allowance	Net farm value	Farm-retail spread	Farmer's share
			Dollars	Dollars	Dollars	Dollars	Dollars	Percent
Market basket				1,080.09	---	---	400.22	679.87
Meat products				285.27	---	---	136.46	148.81
Dairy products				199.21	---	---	87.55	111.66
Poultry and eggs		Average quantities purchased	90.13	---	---	54.91	35.22	61
Bakery and cereal products	Farm produce equivalent to products bought by urban families	per urban wage-earner and clerical-worker family in 1952	172.66	---	---	31.18	141.48	18
All ingredients			---	27.45	3.48	23.97	---	14
Grain			245.27	---	---	71.51	173.76	29
All fruits and vegetables			148.97	---	---	54.35	94.62	36
Fresh fruits and vegetables			74.56	---	---	21.64	52.92	29
Fresh vegetables			96.29	---	---	17.16	79.13	18
Processed fruits and vegetables			42.46	---	---	11.35	31.11	27
Fats and oils			45.09	---	---	7.26	37.83	16
Miscellaneous products								
				Cents	Cents	Cents	Cents	Percent
Beef (Choice grade)	2.25 lb. Choice grade cattle	Pound	84.5	52.4	4.2	48.2	36.3	57
Lamb (Choice grade)	2.41 lb. lamb	Pound	72.2	43.0	7.0	36.0	36.2	50
Pork (retail cuts)	2.13 lb. hogs	Pound	57.7	31.8	4.2	27.6	30.1	48
Butter	Cream and whole milk	Pound	74.9	---	---	54.2	20.7	72
Cheese, American process	Milk for American cheese	pound	36.1	---	---	14.7	21.4	41
Ice cream	Cream and milk	gallon	84.9	---	---	3/22.5	62.4	27
Milk, evaporated	Milk for evaporating	14-1/2 ounce can	15.4	---	---	6.3	9.1	41
Milk, fluid	Wholesale fluid milk	Quart	25.1	---	---	10.6	14.5	42
Chickens, frying, ready-to-cook	1.37 lb. broilers	Pound	40.7	---	---	21.0	19.7	52
Eggs	1.03 doz.	Dozen	56.4	---	---	37.8	18.6	67
Bread, white								
All ingredients	Wheat and other ingredients	Pound	21.6	---	---	3.2	18.4	15
Wheat	.882 lb. wheat	Pound	---	3.0	.4	2.6	---	12
Crackers, soda	1.38 lb. wheat	Pound	31.1	4.7	.6	4.1	27.0	13
Corn flakes	1.57 lb. white corn	12 ounces	28.2	3.0	.7	2.3	25.9	8
Corn meal	1.34 lb. white corn	Pound	14.3	2.6	.3	2.3	12.0	16
Flour, white	6.9 lb. wheat	5 pounds	56.7	23.4	2.9	20.5	36.2	36
Rollod oats	2.31 lb. oats	18 ounces	24.1	4.7	.7	4.0	20.1	17
Apples	1.08 lb. apples	Pound	15.2	---	---	5.8	9.4	38
Grapefruit	1.04 grapefruit	Each	15.5	---	---	3.8	11.7	25
Lemons	1.04 lb. lemons	Pound	26.4	---	---	7.9	18.5	30
Oranges	1.04 doz. oranges	Dozen	86.0	---	---	35.4	50.6	41
Beans, green	1.09 lb. snap beans	Pound	29.7	---	---	13.5	16.2	45
Cabbage	1.10 lb. cabbage	Pound	13.2	---	---	3.4	9.8	26
Carrots	1.06 lb. carrots	Pound	14.7	---	---	2.7	12.0	18
Celery	1.11 lb. celery	Pound	14.8	---	---	4.1	10.7	28
Lettuce	1.41 lb. lettuce	Head	19.4	---	---	6.0	13.4	31
Onions	1.06 lb. onions	Pound	10.1	---	---	2.5	7.6	25
Potatoes	10.42 lb. potatoes	10 pounds	62.2	---	---	16.4	45.8	26
Sweetpotatoes	1.12 lb. sweetpotatoes	Pound	13.1	---	---	4.5	8.6	34
Tomatoes	1.18 lb. tomatoes	Pound	38.5	---	---	11.3	27.2	29
Orange juice, canned	5.88 lb. Fla. oranges for canning	46 ounce can	46.4	---	---	8.2	38.2	18
Peaches, canned	1.89 lb. Calif. cling	No. 2-1/2 can	32.2	---	---	6.1	26.1	19
Beans with pork, canned	.35 lb. Mich. dry beans	16 ounce can	15.0	---	---	2.2	12.8	15
Corn, canned	2.49 lb. sweet corn	No. 303 can	19.4	---	---	2.4	17.0	12
Peas, canned	.69 lb. peas for canning	No. 303 can	22.6	---	---	2.9	19.7	13
Tomatoes, canned	1.84 lb. tomatoes for processing	No. 303 can	15.3	---	---	2.6	12.7	17
Orange juice concentrate, frozen	3.05 lb. Fla. oranges for frozen concentrated juice	6 ounce can	26.2	---	---	6.9	19.3	26
Strawberries, frozen	.51 lb. strawberries for processing	10 ounces	27.4	---	---	6.3	21.1	23
Beans, green, frozen	.71 lb. beans for processing	9 ounces	23.0	---	---	4.1	18.9	18
Peas, frozen	.70 lb. peas for freezing	10 ounces	21.0	---	---	3.0	18.0	14
Dried beans (navy)	1.00 lb. Mich. dry beans	Pound	17.7	---	---	6.3	11.4	36
Dried prunes	.97 lb. dried prunes	Pound	39.8	---	---	13.7	26.1	34
Margarine, colored	Soybeans, cottonseed and milk	Pound	27.5	---	---	7.1	20.4	26
Peanut butter	1.77 lb. peanuts	Pound	57.5	---	---	19.7	37.8	34
Salad dressing	Cottonseed, soybeans, sugar, and eggs	Pint	37.9	---	---	6.4	31.5	17
Vegetable shortening	Soybeans and cottonseed	3 pounds	85.7	---	---	25.2	60.5	29
Corn sirup	1.90 lb. corn	24 ounces	28.0	3.6	.8	2.8	25.2	10
Sugar	37.60 lb. sugar beets	5 pounds	59.3	21.6	1.1	4/20.5	4/38.8	4/35

^{1/} The methods of calculation and the sources of price data are given in Part II of "Farm-Retail Spreads for Food Products," U. S. Dept. Agr. Misc. Pub. 741, 1957.

^{2/} Product groups include more items than those listed in this table. For example, the meat products group includes veal and lower grades of beef in addition to carcass beef of Choice grade, lamb, and pork.

^{3/} Farm value of cream and milk only.

^{4/} Net farm value adjusted for Government payments to producer was 24.7 cents; farm-retail spread adjusted for Government processor tax was 36.1 cents, and farmer's share of retail cost based on adjusted farm value was 42 percent.

Table 16.--Farm food products: Retail cost and farm value, January-March 1963, October-December 1962, January-March 1962, and 1957-59 average 1/

Product 2/	Retail unit	Retail cost						Net farm value 3/					
		Jan.-	Oct.-	Jan.-	1957-59	Percentage change	Jan.-	Oct.-	Jan.-	1957-59	Percentage change	Oct.-	Jan.-
		Mar.	Dec.	Mar.	average	from-		Dec.	Mar.	average	from-		
		1963	1962	1962	1962	1962		1962	1962	1962	1962	1962	1962
		Dollars	Dollars	Dollars	Dollars	Percent	Percent	Dollars	Dollars	Dollars	Dollars	Percent	Percent
Market basket		1,080.09	4/1,068.65	4/1,062.09	1,037.26	1	2	400.22	4/410.02	4/414.15	409.76	-2	-3
Meat products		285.27	4/290.61	4/278.14	277.43	-2	3	136.46	4/156.90	4/147.96	150.65	-13	-8
Dairy products		199.21	200.25	202.65	193.54	-1	-2	87.55	4/88.32	4/90.26	87.76	-1	-3
Poultry and eggs		90.13	88.90	89.52	92.03	1	1	54.91	4/53.75	54.23	56.02	2	1
Bakery and cereal products		172.66	4/171.42	4/169.55	159.22	1	2	31.18	4/30.44	4/30.87	29.98	2	1
All ingredients		---	---	---	---	---	---	23.97	4/23.53	4/22.96	22.33	2	4
Grain	Average												
quantities purchased		245.27	229.80	4/233.53	227.64	7	5	71.51	4/62.71	4/70.81	65.61	14	1
Fresh fruits and vegetables	per urban	148.97	137.20	4/137.37	134.44	9	8	54.35	4/44.34	4/50.16	46.58	23	8
Fresh vegetables	wage-earner	74.56	66.76	71.37	68.70	12	4	21.64	4/19.14	4/24.13	22.03	13	-10
Processed fruits and	and												
vegetables	clerical-	96.29	4/92.60	96.16	93.20	4	5/	17.16	4/18.37	4/20.65	19.03	-7	-17
worker													
Fats and oils	family	42.46	42.70	43.81	44.33	-1	-3	11.35	4/10.65	4/12.68	12.49	7	-10
in 1952													
Miscellaneous products		45.09	44.97	44.89	43.07	5/	5/	7.26	4/7.25	4/7.34	7.25	5/	-1
		Cents	Cents	Cents	Cents	Percent	Percent	Cents	Cents	Cents	Cents	Percent	Percent
Beef (Choice grade)	Pound	84.5	85.6	80.6	78.1	-1	5	48.2	4/56.0	50.8	49.7	-14	-5
Lamb (Choice grade)	Pound	72.2	4/71.9	4/68.6	71.3	5/	5	36.0	4/35.9	32.2	39.8	5/	12
Pork (retail cuts)	Pound	57.7	4/60.0	57.9	60.7	-4	5/	27.6	31.0	30.7	32.5	-11	-10
Butter	Pound	74.9	75.0	76.1	74.6	5/	-2	54.2	4/53.8	55.8	51.8	1	-3
Cheese, American process	1/2 pound	36.1	36.1	36.3	32.8	0	-1	14.7	4/14.4	15.1	14.2	2	-3
Ice cream	1/2 gallon	84.9	85.4	86.3	87.5	-1	-2	6/22.5	4/22.3	6/23.5	22.2	1	-4
Milk, evaporated	1 1/2 ounce can	15.4	15.5	15.8	15.0	-1	-3	6.3	6.1	6.5	6.2	3	-3
Milk, fluid	Quart	25.1	25.3	25.6	24.5	-1	-2	10.6	10.9	4/10.9	10.8	-3	-3
Chickens, frying, ready-to-cook	Pound	40.7	40.4	41.9	44.9	1	-3	21.0	20.0	22.3	24.4	5	-6
Eggs	Dozen	56.4	55.4	54.7	54.5	2	3	37.8	37.5	35.9	36.1	1	5
Bread, white													
All ingredients	Pound	21.6	21.2	21.1	19.3	2	2	3.2	3.1	4/3.0	3.0	3	7
Wheat	Pound	---	---	---	---	---	---	2.6	2.6	2.5	2.4	0	4
Crackers, soda	Pound	31.1	31.1	30.9	29.1	0	1	4.1	4.0	4/3.8	3.8	2	8
Corn flakes	12 ounces	28.2	28.0	26.9	24.7	1	5	2.3	2.1	2.7	2.9	10	-15
Corn meal	Pound	14.3	14.2	13.6	12.9	1	5	2.3	2.1	2.8	2.9	10	-18
Flour, white	5 pounds	56.7	57.4	56.5	54.8	-1	5/	20.5	20.2	19.2	18.9	1	7
Rolled oats	18 ounces	24.1	24.0	22.9	20.2	5/	5	4.0	3.9	4.0	3.8	3	0
Apples	Pound	15.2	14.1	14.3	15.1	8	6	5.8	5.4	5.5	4.6	7	5
Grapefruit	Each	15.5	14.0	12.2	12.5	11	27	3.8	2.4	1.9	2.5	58	100
Lemons	Pound	26.4	23.6	19.4	18.9	12	36	7.9	7.6	4.6	4.5	4	72
Oranges	Dozen	86.0	83.3	76.9	66.8	3	12	35.4	22.9	24.7	23.3	55	43
Beans, green	Pound	29.7	24.9	28.2	24.6	19	5	13.5	10.3	10.7	10.6	31	26
Cabbage	Pound	13.2	8.5	11.2	9.0	55	18	3.4	2.2	3.9	2.4	55	-13
Carrots	Pound	14.7	14.9	15.0	14.7	-1	-2	2.7	3.2	3.6	3.7	-16	-25
Celery	Pound	14.8	13.2	15.6	15.1	12	-5	4.1	3.3	6.2	4.4	24	-34
Lettuce	Head	19.4	18.6	18.3	17.6	4	6	6.0	5.7	6.9	5.9	5	-13
Onions	Pound	10.1	9.8	13.6	10.3	3	-26	2.5	2.0	6.1	3.4	25	-59
Potatoes	10 pounds	62.2	61.0	56.6	61.0	2	10	16.4	4/15.4	4/12.9	17.9	6	27
Sweetpotatoes	Pound	13.1	13.3	15.5	14.8	-2	-15	4.5	4/4.0	4/6.0	4.8	12	-25
Tomatoes	Pound	38.5	27.3	32.4	30.4	41	19	11.3	9.8	13.5	10.7	15	-16
Orange juice, canned	46 ounce can	46.4	40.2	46.0	41.6	15	1	8.2	10.9	14.2	12.4	-25	-42
Peaches, canned	No. 2-1/2 can	32.2	31.9	32.7	34.8	1	-2	6.1	6.1	6.4	6.1	0	-5
Beans with pork, canned	16 ounce can	15.0	15.0	14.9	14.9	0	1	2.2	2.1	2.2	2.4	5	0
Corn, canned	No. 303 can	19.4	19.7	20.1	18.1	-2	-3	2.4	2.4	2.3	2.4	0	4
Peas, canned	No. 303 can	22.6	22.5	22.3	21.0	5/	1	2.9	2.9	4/3.0	3.1	0	-3
Tomatoes, canned	No. 303 can	15.3	15.5	15.8	15.8	-1	-3	2.6	2.6	2.7	2.3	0	-4
Orange juice concentrate, frozen	6 ounce can	26.2	19.7	23.1	23.7	33	13	6.9	7.6	10.2	8.4	-9	-32
Strawberries, frozen	10 ounces	27.4	27.2	27.1	26.4	1	1	6.3	4/6.3	6.0	6.0	0	5
Beans, green, frozen	9 ounces	23.0	22.8	22.8	22.4	1	1	4.1	4.1	4/4.1	4.4	0	0
Peas, frozen	10 ounces	21.0	20.8	20.7	19.7	1	1	3.0	3.0	4/3.0	3.2	0	0
Dried beans (navy)	Pound	17.7	17.5	17.3	17.1	1	2	6.3	6.0	6.1	7.0	5	3
Dried prunes	Pound	39.8	39.7	41.6	35.9	5/	-4	13.7	4/14.9	16.1	13.0	-8	-15
Margarine, colored	Pound	27.5	27.9	28.9	29.1	-1	-5	7.1	6.5	4/8.1	7.8	9	-12
Peanut butter	Pound	57.5	57.8	56.7	54.9	-1	1	19.7	20.0	20.5	18.7	-2	-4
Salad dressing	Pint	37.9	38.3	38.4	37.5	-1	-1	6.4	6.1	4/7.1	6.9	5	-10
Vegetable shortening	3 pounds	85.7	85.6	90.9	93.6	5/	-6	25.2	4/23.5	4/28.9	28.2	7	-13
Corn sirup	24 ounces	28.0	27.5	27.2	25.7	2	3	2.8	2.6	2.5	3.0	8	12
Sugar	5 pounds	59.3	58.8	58.3	56.2	1	2	20.5	20.7	4/21.0	20.2	-1	-2

1/ The methods of calculation and the sources of price data are given in Part II of "Farm-Retail Spreads for Food Products," U. S. Dept. Agr. Misc. Pub. 741, 1957.

2/ Product groups include more items than those listed in this table. For example, the meat products group includes veal and lower grades of beef in addition to carcass beef of Choice grade, lamb, and pork.

3/ Gross farm value adjusted to exclude imputed values of byproducts obtained in processing.

4/ Revised.

5/ Less than 0.5 percent.

6/ Farm value of cream and milk only.

Table 17.--Farm food products: Farm-retail spread and farmer's share of the retail cost, January-March 1963, October-December 1962, January-March 1962 and 1957-59 average ^{1/}

Product ^{2/}	Retail unit	Farm-retail spread ^{3/}				Farmer's share					
		Jan.- Mar. 1963	Oct.- Dec. 1962	Jan.- Mar. 1962	1957-59 average	Percentage change Jan.-Mar. 1963 from-		Jan.- Mar. 1963	Oct.- Dec. 1962	Jan.- Mar. 1962	1957-59 average
						Oct.- Dec. 1962	Jan.- Mar. 1962				
		Dollars	Dollars	Dollars	Dollars	Percent	Percent	Percent	Percent	Percent	Percent
Market basket		679.87	4/658.63	4/647.94	627.50	3	5	37	38	39	40
Meat products		148.81	4/133.71	4/130.18	126.78	11	14	48	54	53	54
Dairy products		111.66	4/111.93	4/112.39	105.78	5/	-1	44	44	45	45
Poultry and eggs	Average quantities purchased per urban wage-earner and clerical-worker family in 1952	35.22	4/35.15	4/35.29	36.01	5/	5/	61	60	61	61
Bakery and cereal products											
All ingredients		141.48	4/140.98	4/138.68	129.24	5/	2	18	18	18	19
Grain		---	---	---	---	---	---	14	14	14	14
All fruits and vegetables		173.76	4/167.09	4/162.72	162.03	4	7	29	27	30	29
Fresh fruits and vegetables		94.62	4/92.86	4/87.21	87.86	2	8	36	32	4/37	35
Fresh vegetables		52.92	4/47.62	4/47.24	46.67	11	12	29	29	4/34	32
Processed fruits and vegetables		79.13	4/74.23	4/75.51	74.17	7	5	18	20	21	20
Fats and oils		31.11	4/32.05	4/31.13	31.84	-3	5/	27	25	29	28
Miscellaneous products		37.83	4/37.72	4/37.55	35.82	5/	1	16	16	16	17
		Cents	Cents	Cents	Cents	Percent	Percent	Percent	Percent	Percent	Percent
Beef (Choice grade)	Pound	36.3	4/29.6	29.8	28.4	23	22	57	4/65	63	64
Lamb (Choice grade)	Pound	36.2	4/36.0	4/36.4	31.5	1	-1	50	50	4/47	56
Pork (retail cuts)	Pound	30.1	4/29.0	27.2	28.2	4	11	48	52	53	54
Butter	Pound	20.7	4/21.2	20.3	22.8	-2	2	72	72	73	69
Cheese, American process	¹ / ₂ pound	21.4	4/21.7	21.2	18.6	-1	1	41	40	42	43
Ice cream	¹ / ₂ gallon	62.4	4/63.1	62.8	65.3	-1	-1	27	26	27	25
Milk, evaporated	14 1/2 ounce can	9.1	9.4	9.3	8.8	-3	-2	41	39	41	41
Milk, fluid	Quart	14.5	14.4	4/14.7	13.7	1	-1	42	43	43	44
Chickens, frying, ready-to-cook	Pound	19.7	20.4	19.6	20.5	-3	1	52	50	53	54
Eggs	Dozen	18.6	17.9	18.8	18.4	4	-1	67	68	66	66
Bread, white											
All ingredients	Pound	18.4	18.1	4/18.1	16.3	2	2	15	15	4/14	16
Wheat	Pound	---	---	---	---	---	---	12	12	12	12
Crackers, soda	Pound	27.0	27.1	4/27.1	25.3	5/	5/	13	13	4/12	13
Corn flakes	12 ounces	25.9	25.9	24.2	21.8	0	7	8	8	10	12
Corn meal	Pound	12.0	12.1	10.8	10.0	-1	11	16	15	21	22
Flour, white	5 pounds	36.2	37.2	37.3	35.9	-3	-3	36	35	34	34
Rollod oats	18 ounces	20.1	20.1	18.9	16.4	0	6	17	16	17	19
Apples	Pound	9.4	8.7	8.8	10.5	8	7	38	38	38	30
Grapefruit	Each	11.7	11.6	10.3	10.0	1	14	25	17	16	20
Lemons	Pound	18.5	16.0	14.8	14.4	16	25	30	32	24	24
Oranges	Dozen	50.6	60.4	52.2	43.5	-16	-3	41	27	32	35
Beans, green	Pound	16.2	14.6	17.5	14.0	11	-7	45	41	38	43
Cabbage	Pound	9.8	6.3	7.3	6.6	56	34	26	26	35	27
Carrots	Pound	12.0	11.7	11.4	11.0	3	5	18	21	24	25
Celery	Pound	10.7	9.9	9.4	10.7	8	14	28	25	40	29
Lettuce	Head	13.4	12.9	11.4	11.7	4	18	31	31	38	34
Onions	Pound	7.6	7.8	7.5	6.9	-3	1	25	20	45	33
Potatoes	10 pounds	45.8	4/45.6	4/43.7	43.1	5/	5	26	25	4/23	29
Sweetpotatoes	Pound	8.6	4/9.3	4/9.5	10.0	-8	-9	34	4/30	39	32
Tomatoes	Pound	27.2	17.5	18.9	19.7	55	44	29	36	42	35
Orange juice, canned	46 ounce can	38.2	29.3	31.8	29.2	30	20	18	27	31	30
Peaches, canned	No. 2-1/2 can	26.1	25.8	26.3	28.7	1	-1	19	19	20	18
Beans with pork, canned	16 ounce can	12.8	12.9	12.7	12.5	-1	1	15	14	15	16
Corn, canned	No. 303 can	17.0	17.3	17.8	15.7	-2	-4	12	12	11	13
Peas, canned	No. 303 can	19.7	19.6	4/19.3	17.9	1	2	13	13	13	15
Tomatoes, canned	No. 303 can	12.7	12.9	13.1	13.5	-2	-3	17	17	17	15
Orange juice concentrate, frozen	6 ounce can	19.3	12.1	12.9	15.3	60	50	26	39	44	35
Strawberries, frozen	10 ounces	21.1	4/20.9	21.1	20.4	1	0	23	4/23	22	23
Beans, green, frozen	9 ounces	18.9	18.7	4/18.7	18.0	1	1	18	18	18	20
Peas, frozen	10 ounces	18.0	17.8	4/17.7	16.5	1	2	14	14	4/14	16
Dried beans (navy)	Pound	11.4	11.5	11.2	10.1	-1	2	36	34	35	41
Dried prunes	Pound	26.1	4/24.8	25.5	22.9	5	2	34	4/38	39	36
Margarine, colored	Pound	20.4	21.4	4/20.8	21.3	-5	-2	26	23	28	27
Peanut butter	Pound	37.8	37.8	36.2	36.2	0	4	34	35	36	34
Salad dressing	Pint	31.5	32.2	4/31.3	30.6	-2	1	17	16	18	18
Vegetable shortening	3 pounds	60.5	4/62.1	4/62.0	65.4	-3	-2	29	27	32	30
Corn sirup	24 ounces	25.2	24.9	24.7	22.7	1	2	10	9	9	12
Sugar	5 pounds	38.8	38.1	4/37.3	36.0	2	4	35	35	4/36	36

^{1/} The methods of calculation and the sources of price data are given in Part II of "Farm-Retail Spreads for Food Products," U. S. Dept. Agr. Misc. Pub. 741, 1957.

^{2/} Product groups include more items than those listed in this table. For example, the meat products group includes veal and lower grades of beef in addition to carcass beef of Choice grade, lamb, and pork.

^{3/} The farm-retail spread is the difference between the retail cost and the net farm value shown in table on opposite page.

^{4/} Revised.

^{5/} Less than 0.5 percent.

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